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A Salvadoran guerrilla leader, Cayetano Carpio, talks with PLO fighters outside Beaufort Castle in southern Lebanon.

Guerrillas Report Raid On City in El Salvador

United Press International
SAN SALVADOR — Guerrillas took over a neighborhood before dawn Wednesday in the eastern edge of San Miguel, a provincial capital 83 miles (133 kilometers) east of here, the clandestine rebel radio station Venceremos said.

The radio said rebels set up barriques, gave lectures and burned a construction company's building and at least one of its trucks. The rebels held the positions until about 10 a.m., the radio said.

Meanwhile, the Christian Democratic Party voted in San Salva-

do Wednesday to keep President José Napoleón Duarte as provisional president if the party wins a majority in the March 28 election for a constitutional assembly.

In Beirut, a Salvadoran guerrilla leader, Cayetano Carpio, who has been visiting representatives of the Palestine Liberation Organization, told a newspaper he had offered to accept U.S. mediation to resolve the war.

Mr. Carpio told the Lebanese newspaper As Safrir that President Reagan "is trying to stage-manage

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Salvadoran Leader Says Election Will Help Tame Military

By Jim Hoagland
Washington Post Service

SAN SALVADOR — President José Napoleón Duarte has said he expects to emerge from the March 28 elections with new power to control El Salvador's extreme rightists and his government's security forces, which he conceded had established a system of "authority by terror."

The president again dismissed any suggestion that he would ever negotiate with the Marxist guerrillas trying to disrupt the elections and overthrow the civilian-military junta he heads. In an interview Monday night, he also expressed fresh optimism about the course of the war against the guerrillas.

Mr. Duarte's rejection of negotiations and his optimism echoed those expressed by the U.S. ambassador, Deane Hinton, in a separate interview.

"They think they have a winning hand," Mr. Hinton said of the estimated 5,000 guerrillas. Because their leaders are dedicated Communists, he said, the guerrillas are not sincere about negotiations and would use them "to gain time and to reposition their forces."

Both Mr. Duarte and Mr. Hinton expressed skepticism that Mexico could play a leading role in resolving El Salvador's civil war, despite meetings of U.S. Secretary of State Alexander M. Haig Jr. and his Mexican counterpart, Jorge Castañeda.

Mexico is trying to mediate be-

tween the United States and Nicaragua, which the Reagan administration accuses of aiding the Salvadoran rebels, as a first step toward ending the war. Asked about the Haig-Castañeda talks during the past two weeks, Mr. Hinton said he had been told by Washington that "there was no discussion of negotiations" on El Salvador. "I have no reason to believe that he contemplated it."

He said that "to certain ex-

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tent" Mexico might be helpful in ending the conflict. Mexico has allowed the guerrillas to establish "a base for fund raising and propaganda activities" in Mexico and so the Mexican government "should have a little more leverage on the following." For all they say about nonintervention, they have already intervened here, "on the side of the guerrillas," the ambassador said.

Mexico "should not play the lead, but they are part and parcel" of regional diplomacy to resolve the conflict in El Salvador, he added.

Mr. Duarte, who occasionally hinted at resentment over the American handling of his country's economic, political and military crises, was scathing in his remarks about Mexico.

"I don't see that Mexico has any influence on this," he said. "Mexico is not a Marxist government" and will not be able to pressure the leftist forces of Nicaragua. "They are only playing at it. But Mexico has two policies — internally a dictatorship and externally a Socialist-sympathizing government."

On other points, Mr. Duarte:

• Disclosed that he had "a moment of tension" with his military commanders about his decision to prosecute five members of the National Guard for allegedly raping and murdering four American religious workers in December 1980.

• Said that the \$105 million of supplemental economic aid from the Reagan administration proposing to provide this year would be used primarily to buy raw materials to keep people working. That still would leave the country \$300 million short of foreign exchange with which to pay its projected import bill, he indicated.

• Declared that he would welcome U.S. training for his under-strength national and rural police

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U.S. and Nicaraguan Stories Differ About Guerrilla's Washington Saga

By Barbara Crossette
New York Times Service

WASHINGTON — U.S. and Nicaraguan officials presented differing versions of events surrounding the trip to the United States of a 19-year-old Nicaraguan who, last Friday started the State Department by recanting his cardinal assertions of Nicaraguan interference in El Salvador.

According to department spokesman Dean Fischer, the Nicaraguan, Orlando José Tardencilla Espinoza, came to the United States last week on a non-immigrant visa issued at the U.S. Embassy in San Salvador.

Mr. Fischer said that after Mr. Tardencilla's appearance before reporters on Friday afternoon, followed by a diplomatic note from the Nicaraguan Embassy seeking to meet the young man, the Nicaraguan had asked to be returned home. "Since Tardencilla had not violated any immigration law by his presence here," Mr. Fischer said, "the State Department decided to grant his wish and to allow him to return to Nicaragua."

Nicaraguan officials say, however, that Mr. Tardencilla had no identity papers or visa of any kind in his possession when he was turned over to Nicaraguan diplo-

mats at the State Department here at about 2:30 a.m. on Saturday.

The lack of papers made it difficult to get the young man out of the country, they said, and it was only through the intervention of a Nicaraguan diplomat in Mexico that an airline agreed to fly him from Chicago to Mexico later on Saturday. Mr. Tardencilla returned home from Mexico on Monday.

Officials' Uprise

The Nicaraguans believe, based on Mr. Tardencilla's own version of the matter, that State Department officials were unsure last week that the young man would provide the evidence of Nicaraguan involvement in El Salvador that the department was seeking.

Mr. Tardencilla said he was repeatedly interviewed in the unnamed hotel in Washington where he was being held by the U.S. officials, who negotiated with him the terms of his appearance. Among the demands Mr. Tardencilla told the Nicaraguans he had made was that a Spanish-speaking reporter and someone from The Washington Post be present at the briefing.

Accounts of Nicaraguans who have spoken with Mr. Tardencilla since his surprise appearance be-

INSIDE

Squeezing Moscow

Evidence is growing that the Soviet Union is caught in a hard-currency squeeze. This has sharpened debate in Washington over just how vigorously to pressure Soviet policy. Insights, Page 6.

Polish Journalists

A personnel purge aimed at reestablishing tight party control over the Polish media reportedly has cost about 15 percent of the country's journalists their jobs. Page 5.

vador and that he had been trained in Ethiopia and Cuba.

According to Mr. Tardencilla, he had been asked last month to make videotape recordings of those earlier confessions. He said, according to the Nicaraguans, that a day before he was flown to Washington last week, he was first approached by U.S. officials, two men whom he described as diplomats and a military man.

They asked him, he said, if he would like to go to the United States and tell his story. He said he told them he would be willing to tell the truth. They then told him,

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U.S. Seems Unsure About What It Wants in El Salvador

By Philip Taubman
New York Times Service

WASHINGTON — The Reagan administration has tried in recent days to explain to the public its policy on the civil war in El Salvador and, as Secretary of State Alexander M. Haig Jr. said, "put the current state of play in sharper focus."

Instead, some senior official acknowledge, the result has been increased confusion about the administration's aims, compounded by a sequence of missteps and mixed signals that have left an impression of disorganization and frustration. But the officials insist that the administration has not changed its policies.

"Sometimes I feel like Sisyphus," a senior official involved in developing the Latin American policy said. "Every time we head up the hill to explain or justify our policy, the stone comes crashing down on top of us."

The most recent initiative was a series of meetings between Mr. Haig and the foreign minister of Mexico, Jorge Castañeda de la Rosa, which to some people appeared to signal that the administration favored seeking a negotiated settlement to the problems in Central America. But Mr. Haig moved quickly to disown the prospects for negotiation, saying there was no reason to assume that Nicaragua would accept U.S. and Mexican proposals to settle its differences with El Salvador and the United States.

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ing negotiations, including a role for Mexico as mediator, or was primarily interested in soothing Mexican feelings and creating a positive impression for the U.S. public.

Additional confusion about the administration's intentions was generated by comments Saturday by Mr. Haig, who said not to be identified at the time in news accounts. Mr. Haig said that the problem in El Salvador was global in nature and that the United States should involve the Soviet Union, Cuba and other Latin American nations in the search for a solution.

On Monday, Mr. Haig clarified his remarks by saying: "That does not mean, nor did I ever mean, that the Soviets, or the Cubans for that matter, must be invited to the negotiating table. Not at all."

Officials contend that the administration has no clear, coherent policy for Central America, but rather is searching from one action and initiative to another.

Administration officials acknowledged that their efforts had sometimes been uneven and careless, but they asserted that several consistent policy themes underlay both recent and past actions.

The developments left unclear whether the administration was seriously support-

ing the administration's policy approach rooted in a fear that U.S. combat troops might be sent to El Salvador.

The tone, they said, was intended for Nicaraguan, Cuban and Soviet consumption, part of a strategy to keep pressure on those nations to moderate their policies in Central America.

A broader reason for encouraging Mexican mediation efforts, senior officials said, was a hope that if the effort fails, as the administration expects it will, the Mexican government will be braced by the rejection and will better appreciate the threat to its security presented by Soviet and Cuban interference in Central America. "We want them to learn a lesson," a senior official said.

That attitude, which critics within the administration consider patronizing, stems from a widely held belief among senior policy-makers that the Mexican government, as an official said, "believes it can co-opt any problem." Some senior officials have argued that the ultimate danger of conflict in Central America is that the unrest will spread to Mexico and eventually spill over the border into the United States in the form of a new wave of refugees and unrest among millions of Mexican-Americans.

Some administration officials said that Mr. Haig and others had also considered the domestic political benefits that might result from encouraging a negotiated settlement. They noted that public opposition

Recanted Statements

Administration officials offered few excuses for some of the missteps that marked intelligence briefings for Congress and the public. They said that Mr. Haig had been too quick to charge that Salvadoran authorities had captured a Nicaraguan military man in El Salvador two weeks ago, but they also blamed the press for expanding that statement into a major story.

Administration officials said they had decided not to make this information public because it might prompt the Nicaraguans and Cubans to alter their communications and make it impossible for the United States to continue collecting intelligence.

The turnabout last Friday by a Nicaraguan guerrilla who recanted previous statements about Cuban and Nicaraguan aid to the Salvadoran insurgents was attributed to poor staff work by the State Department and the CIA. "They just failed to spot this guy's true intentions," said an intelligence official.

When that evidence, which apparently includes electronic intercepts of radio communications between Nicaragua and El Salvador, was given to congressional committees and to a dozen former senior government officials, the reaction was largely favorable. Most of those briefed said they were persuaded that Nicaragua was using their new military strength to aid Salvadoran insurgents.

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The note, delivered Monday, was read by most diplomats, however, as a further attempt to put pressure on the United States in the negotiations over continued U.S. weapons sales to Taiwan, an issue that has brought a virtual crisis.

The note reiterates that Peking will oppose any effort to create "two Chinas."

But the note goes further than most diplomats said, and it could overturn the basis on which many countries established diplomatic relations with Peking in the past. This answered the question of why Deng Xiaoping, the 78-year-old deputy party chairman, is staying on after launching the rejuvenation effort. It also suggested that Mr. Deng has struck a deal with other "elderly but healthy veterans" whose support he needs for this and other campaigns.

West Cool To Soviet Proposal On Missiles

From Agency Dispatches

BONN — West European governments reacted coolly Wednesday to Soviet President Leonid I. Brezhnev's latest arms-control proposals, including the announcement of a half in deployment of medium-range nuclear missiles west of the Urals.

West Germany called the Soviet announcement of a missile freeze an old proposal aimed at maintaining Moscow's missile superiority in Europe.

A West German government statement on Mr. Brezhnev's proposal, announced Tuesday, said the Soviet action "is dependent on the West's refraining from preparations to deploy American Pershing-2 and Cruise missiles."

Unless Moscow reduces its arsenal of SS-20 missiles aimed at Western Europe, NATO is to deploy 108 Pershing-2 and 464 Cruise missiles beginning in late 1983 in Britain, the Netherlands, Belgium, West Germany and Italy.

The Soviet plan, the West Germans said, "aims to prevent the deployment of American weapons in Europe ... and to maintain the current imbalance in this area in favor of the Soviet Union."

Israel Warns Egypt on Talks

TEL AVIV (UPI) — Israel has warned Egypt there will be no further talks on Palestinian autonomy if Cairo rules Jerusalem out as a venue, Defense Minister Ariel Sharon disclosed Wednesday.

Mr. Sharon, speaking to an audience of academics, also said the demilitarization arrangements curtailing the size and deployment of Egyptian forces in the Sinai peninsula after the April 25 final Israeli withdrawal were permanent and any change would be "inacceptable."

The defense minister said he

(Continued on Page 2, Col. 6)

First U.S. Troops Arrive in Sinai For Duty With Peacekeeping Force

By William Claiborne
Washington Post Service

JERUSALEM — The first contingent of U.S. Army troops assigned to the multinational peacekeeping force arrived in the Sinai peninsula Wednesday in preparation for the scheduled April 25 turnover of the Sinai to Egypt by Israel.

The American commander of the troops, Lt. Col. William Garrison, said that although the soldiers are technically from the U.S. Rapid Deployment Force, they will be restricted to patrolling and observing the Sinai.

The 600 troops of the 82d Airborne Division from Fort Bragg, N.C., arrived at the landing strip at Ophira, in southeastern Sinai near the new U.S.-built headquarters of the Multinational Force and Observers, which will patrol the easternmost sector of the Sinai along the Negev desert.

The troops were flown to Ophira and were reviewed on the tarmac by Gen. Frederick Bull-Hansen, the Norwegian who is to command the multinational force. The only peacekeeping force they carried were M-16 automatic rifles, which are allowed under the peacekeeping agreement between Egypt, Israel and the United States.

Army troops will be stationed at the former Israeli airbase at Elat, near the Mediterranean coast.

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The American commander of the troops, Lt. Col. William Garrison, said that although the soldiers are technically from the U.S. Rapid Deployment Force, they will be restricted to patrolling and observing the Sinai.

We do not anticipate any change in our mission. We are assigned to the multinational force, and we will follow the orders of the multinational force," Col. Garrison said.

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peacekeeping force they carried were M-16 automatic rifles, which are allowed under the peacekeeping agreement between Egypt, Israel and the United States.

PLO's Long-Range Arms Change Israeli Border Equation

By Drew Middleton
New York Times Service

NEW YORK — The military confrontation between Palestine Liberation Organization forces and Israel along the border between Israel and Lebanon has taken on new dimensions, with the PLO now able to attack most of the cities and towns in northern Israel at long range.

Western Israeli military analysts say that a steady stream of long-range guns, rockets and mortars has been reaching southern Lebanon in the last two months. Those weapons, all with a range of approximately 15 miles (24 kilometers), include about 100 130mm guns, 60 122mm rockets and their launchers and a large number of 120mm and 160mm mortars, all produced in the Soviet Union.

Analysts concede that it would be difficult for Israel to destroy the weapons because all are mobile and easily hidden.

This development has aroused fears in Washington and some

North Atlantic Treaty Organization capitals that Israel might move ground and air forces into southern Lebanon to eliminate the PLO forces. Intelligence sources estimate that there are 15,000 PLO

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guerrillas in Lebanon, with roughly one-third of them operating in the area south of the Litani River.

At the moment, the analysts said, the ground in southern Lebanon is too soft — a result of winter rains — to permit extensive deployment off the main roads. But they said that the military and political situation in the area would appear to indicate early action, even at the cost of some delays in moving troops through the countryside.

Syria, which has the most powerful Arab ground and air forces in the region, including 25,000 troops in Lebanon, has only recently completed an extensive action against Moslem Brotherhood in-

guerrillas in Lebanon, with roughly one-third of them operating in the area south of the Litani River.

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tryside.

Egypt, preoccupied with the final phase of the return of the Sinai Peninsula on April 25, is unlikely to do anything that would prevent the completion of that process.

One American analyst said that Egypt's preoccupation with Sinai might prompt an Israeli move into Lebanon before April 25. In his view, the Egyptians, although they might protest, would take no ac-

tion, and this in turn could widen the existing differences between Cairo and more aggressive Arab nations.

Among Israeli sources, there is a strong belief that the PLO will use its long-range weapons against military targets, including depots and forward airfields, as well as the towns and hamlets of northern Israel.

In addition to the flow of heavy weapons, there has been a steady reinforcement of the PLO in Lebanon. This has been qualitative as well as quantitative, one Western source said. It includes trained volunteers from Iraq, Libya and Southern Yemen. Others are engineers who oversee the building of defensive works in the area of Na-

haret and Broufia.

Israeli aerial reconnaissance has also reported a buildup in stocks of ammunition, gasoline and food at PLO positions. Long-range weapons are concealed by day and then moved by night to potential firing positions.

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also reported a buildup in stocks of ammunition, gasoline and food at PLO positions. Long-range weapons are concealed by day and then moved by night to potential firing positions.

Last fall, Israeli intelligence was concerned about the possible use of two PLO brigades that had been armed and organized for conventional warfare. That concern has lessened, although the arms for the brigades are available.

The situation as it is now perceived is that if Israel moves into Lebanon, the PLO will use its long-range weapons to harass the forces.

Israel's strongest card in that case would be the air force. Analysts estimate that Israeli planes would be able to operate without serious interference from the Syrian Air Force but that the Israeli high command would have to anticipate the possible transfer of Syrian surface-to-air missiles and their crews to the PLO.

There are reports, which cannot be substantiated, that the PLO has asked Syria to supply surface-to-air missiles. Syria has 32 missile batteries and is due to receive more SAM-6s and SAM-7s from the Soviet Union this year.



United Press International

Relatives of some of the 33 rightists being tried on charges of attempting a coup arrive at the military compound where the trial is being held. One of the main defendants, Lt. Col. Antonio Tejero Molina, testified Wednesday. The newspaper headline reads: "Tejero is Not the Villain."

Salvadoran Leader Says Vote Will Help Tame the Military

(Continued from Page 1)

forces as a way of curbing excessive violence at the hands of the army and National Guard, which now have most of the responsibility for internal security. U.S. congressmen who oppose such training "create more problems for us than they know."

Speaking in slow but surely expressed English during the meeting in his newly decorated presidential palace, Mr. Duarte appeared confident that his election campaign would provide his Christian Democratic Party with either an absolute majority of 31 seats in the Constitutional Assembly, or with enough seats to dominate a coalition government.

Although the assembly is empowered to write its own mandate, it is expected to elect an interim

W. German Suspected Of Faking Kidnapping

Reuters

GRANADA — Spanish police said Wednesday that they had detained the wife of West Germany's honorary consul here on suspicion of faking her own kidnapping for ransom.

A magistrate is to decide whether the woman, Maria Magdalena Horwitz, 55, who disappeared for three weeks last summer, will face charges. Her husband received two ransom demands, but no money was paid, the police said. They said the consul has been cleared but that several people have been arrested in West Germany in connection with the disappearance.

"Two years ago, we had [human rights] abuses in almost every town. We still have some today, but much, much less. Now, it is not systematic and not over all the country. We have taken actions of control, and of punishment," Mr. Duarte said.

He asserted: "The extreme left is not interested in negotiations or democracy. These so-called negotiations would be nothing but an effort to get an unconditional surrender, or a military negotiation such as the one the Israelis had in Paris about Vietnam."

Mr. Duarte repeated his willingness to "dialogue" with the guerrillas and their political spokesmen "if they accept that the solution here is not a violent or a military one, but a democratic one" that recognizes the legitimacy of the government to be elected March 28. The guerrillas have boycotted the election.



José Napoleón Duarte

U.S. and Europe Seen to Move Closer on Mideast Approach

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that there was no early hope of dialogue between Israel and the PLO.

With France abandoning its bid to swing Europe behind the Arab cause, the European Economic Community appears unlikely to agree again soon about any move,

Rebels Raid Salvador City

(Continued from Page 1)

El Salvador's forthcoming elections ... We will prevent this to confront Reagan with two choices: Either intervene directly as it happened in Vietnam, or act as a go-between in a dialogue between us and the authorities."

The newspaper said the 62-year-old Salvadoran rebel leader spent 10 days with PLO guerrillas, inspected their field positions and met with Yasser Arafat, the PLO leader. In a speech last January, Mr. Arafat said Palestinian guerrillas were serving in El Salvador and Nicaragua.

The Salvadoran rebels' new offensive came as the U.S. ambassador to El Salvador, Deane Hinton, warned that violence there would get worse. "There will be a lot of bang-bang, a lot of boom-boom," he said at a press conference Tuesday, citing intelligence reports.

For the second day in a row, guerrillas made bold afternoon attacks Tuesday on government soldiers backed by armored personnel carriers in San Salvador's northern suburbs of Ciudad Delgado and Cuscatancingo.

Mr. Duarte, the leader of the Christian Democrats, has been under increasing criticism within the party for his role as head of the military-civilian junta. But Wednesday's party convention of about 2,000 delegates gave Mr. Duarte unanimous approval on a voice vote. It was seen as a vote of confidence by the party for Mr. Duarte and his reform programs designed to cut off support for left-wing guerrillas banting the U.S.-backed government.

"I accept the call to steer the ship that has been given to me," Mr. Duarte said in response to the nomination.

In the March 28 elections, voters

will choose delegates who will have

the power to overthrow the constitution

and appoint a provisional government to replace the four-man ruling junta in power since an October 1979 coup.

Reagan Fears 'New Cubas'

WASHINGTON (AP) — President Reagan warning that "new Cubas" could arise from the economic misery in Central America and the Caribbean, said Wednesday that El Salvador should get a third of the \$350 million in emergency aid he is seeking for the region.

"El Salvador's economy is in

desperate straits," Mr. Reagan

said in a message sent to Congress

with his aid plan. "The insurgents have used every tactic of terrorism

to try to destroy it."

The well-being and security of

our Caribbean neighbors are in

our own vital interest," he said.

"Economic disaster is consuming our neighbors' money reserves and credit. It is forcing thousands of people to emigrate and threatening even the most established democracies."

As indicated when Mr. Reagan

disclosed the initiative in a speech

to the Organization of American

States last month, there was no aid

included for Nicaragua. Reagan

aides said government-to-govern-

ment aid for Nicaragua was cut off

last April.

In addition to the \$128 million

being sought this year for El Sal-

vador, the president is seeking \$70

million for Costa Rica, \$35 million

for Honduras, \$50 million for

Jamaica, \$40 million for the Do-

mestic Republic, \$10 million for

the "island mini-states" of the

eastern Caribbean, \$10 million for

newly independent Belize, \$5 mil-

lion for Haiti and \$2 million for

the Latin American Regional

American Institute for Labor De-

velopment.

Plane to Miami

According to the young man's

account, three Salvadoran military

officers took him to Miami on a

commercial flight, where he was

turned over to State Department

officials, who brought him to

Washington.

In Mexico Monday, Mr. Tarde-

cilla was reported to have said

he was "savagely tortured" while

in the United States. Tuesday, Ni-

caraguan officials said he had

been under severe psychological

pressure.

He reportedly asked for a pair

of glasses. He said his eyes had

been weakened by three months of

blindfolding in El Salvador. He

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he met the press on Friday.

Last fall, Israeli intelligence was concerned about the possible use of two PLO brigades that had been armed and organized for conventional warfare. That concern has lessened, although the arms for the brigades are available.

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Gen. Armada has denied meet-

ing him before the takeover.

Col. Tejero said he was not a

moscachist but had accepted plans

for a "military government to

Regan Says Congress Unlikely to Find Way To Improve '83 Budget

United Press International
WASHINGTON — Treasury Secretary Donald T. Regan rejected Wednesday proposals to delay cuts and challenged Congress to find workable ways to change the fiscal 1983 budget.

"I think they're finding it very difficult to change the president's budget," Mr. Regan said.

Democratic senators urged President Reagan Tuesday to rewrite

his 1983 budget to reduce huge deficits, which they said would keep interest rates high and retard or abort economic recovery.

But Mr. Regan said on a television news program that the administration is hearing nothing new from the Democrats. "It's very easy to criticize the budget. It's very easy to say, 'Get that deficit down' and 'Do this do that,'" he said. "But when push comes to shove, and the Congress actually has to vote, let's see what actually happens."

Reminded of his prediction less than two months ago that Mr. Reagan would get practically all of his 1983 budget through Congress, the treasury secretary said, "What we will get is either that or something similar to it."

The Democratic proposed considering all parts of the budget for cuts and deferring next year's 10-percent personal income tax cut and the so-called indexing of income taxes, designed to prevent tax increases caused by inflation, scheduled to take effect in 1983. The president has opposed the tax proposals.

Asked whether there would be "no give" on the tax cut indexing, Mr. Regan replied: "It's absolutely correct as far as I'm concerned. I'm sure that's the president's view also."

A bipartisan group of Senate leaders increased pressure on the president to compromise Tuesday by agreeing that everything — including military spending, tax cuts and benefit programs — must be open to negotiation to reduce 1983's projected deficit of \$96.4 billion.

Leaving the meeting, Sen. Ernest F. Hollings, of South Carolina, the ranking Democrat on the Budget Committee, said he was optimistic about finding an acceptable alternative to Mr. Reagan's budget.

Sources indicated that the Department of Health and Human Services was surprised late Monday when the White House Office of Management and Budget failed to give the expected approval to testimony submitted for clearance, and health officials were told not to talk about specific legislation.

One source said, "This is reflective of ongoing efforts of the tobacco industry ... and continues to demonstrate their strength at Thursday before a House health subcommittee."

Sen. Packwood Tuesday asked what had happened since last week to alter the administration's recent "staunch support" of the legislation. He suggested that "somebody talked to somebody in your department and said, 'Tone down the testimony.'"

Assistant Secretary for Health Edward N. Brandt Jr. would only say that the administration "supports stronger health warnings" but the "specific wording" and "the way in which they are to be used" is "still being studied."

Last week, with administration approval, Dr. Brandt testified: "We support the bill's requirements for strong health warnings because we believe they would increase the public's knowledge of the hazards of smoking and make it possible for smokers and potential smokers to make better-informed judgments as to whether to continue smoking or begin smoking."



The Associated Press

Reagan Eases Label Policy On Cigarettes

By Cristine Russell
Washington Post Service

WASHINGTON — The Reagan administration has backed away from its recent endorsement of legislation to put stronger health warning labels on cigarette packages.

The about-face came as top officials appeared before the Senate Labor and Human Resources Committee Tuesday, presenting testimony that Sen. Robert Packwood, Republican of Oregon, characterized as "substantially weaker" than that presented last Thursday before a House health subcommittee.

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Sen. Packwood Tuesday asked what had happened since last week to alter the administration's recent "staunch support" of the legislation. He suggested that "somebody talked to somebody in your department and said, 'Tone down the testimony.'"

Assistant Secretary for Health Edward N. Brandt Jr. would only say that the administration "supports stronger health warnings" but the "specific wording" and "the way in which they are to be used" is "still being studied."

Last week, with administration approval, Dr. Brandt testified: "We support the bill's requirements for strong health warnings because we believe they would increase the public's knowledge of the hazards of smoking and make it possible for smokers and potential smokers to make better-informed judgments as to whether to continue smoking or begin smoking."

Reagan Helps Indiana Flood Team Toss Sandbags Along River Bank

Los Angeles Times Service

FORT WAYNE, Ind. — President Reagan briefly joined teenaged volunteers in tossing sandbags along the bank of a flooded river Tuesday after deciding on impulse to fly here to see the devastation caused by this area's worst flooding since 1913.

"Right here along this river I think is something that should be an inspiration to everyone," Mr. Reagan said. "These young people told me they saw this on television and that's why they're here. They're all volunteers. One young lady told me she's been here for three days."

Looking out of place in a dark suit with a white handkerchief in the breast pocket, Mr. Reagan tossed about a dozen filled sandbags in a work line along a dike of the St. Marys River. The floods in this area left an estimated 3,800 persons homeless and caused an estimated \$16.3 million worth of damage, city officials said.

An area farmer, Greg Miller, complained to the president that the federal government had been slow in processing an emergency loan he had applied for after suffering \$100,000 in flood damage last year. Mr. Miller said that of 670 farmers eligible for the loan, only 10 had received any money, and he was 10 days away from planting and needed the cash. Mr. Reagan promised to call the secretary of agriculture, John R. Block, and look into the matter.

Accused Kidnapper Says He Spared Dozier

From Agency Dispatches

VERONA, Italy — Giovanni Cucci, the Red Brigades terrorist who was holding a gun to the head of Brig. Gen. James L. Dozier when police broke in to free him, testified Wednesday that he had enough time to kill the NATO general, but did not do so for humanitarian reasons.

Mr. Cucci, 32, and 16 others are on trial to a developing a budget plan that would fit both the requirements set down by both parties in Congress and the less-flexible terms mandated by Mr. Reagan.

In the letter to Mr. Reagan, the Senate Democrats said that unless the president agrees to defense spending cuts and tax changes, the budget will never be balanced.

"What we're saying is, 'We're willing to meet you, Mr. President. Get off the dime, get off the deadlock,'" the Democrats said.

However, Republicans appeared no closer to developing a budget plan that would fit both the requirements set down by both parties in Congress and the less-flexible terms mandated by Mr. Reagan.

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Mr. Cucci, one of five arrested in the police raid that freed the general Jan. 28, described the last minutes of their hostage's 42-day captivity.

Police Spotted

He said that Antonio Savasta, 27, the gang leader, spotted police from the apartment window and passed out guns and a grenade to those in the apartment.

"I went into the tent where the general was sleeping and pointed the gun at him," Mr. Cucci said. "We knew [the raid was going to take place] about a minute before the police broke in. If I wanted, I had the time to kill the general, but I didn't think of doing it because at that moment I didn't see him as an enemy, but as a human being."

"Dozier woke up when police broke the door down. I reassured him, at least with gestures, that nothing would happen to him," Mr. Cucci added.

He said that the Red Brigades would have held Gen. Dozier captive for a long time if police had not located the apartment in Philadelphia.

"Our intention was to keep Dozier hostage for a long time. We

had not discussed killing or releasing him because the campaign still had to develop and other kidnappings were planned," he said.

The defendants are divided in two sections of a metal cage in the courtroom. On one side are Cesare Di Lenardo and Alberto Biliotti, who have declared themselves political prisoners and are refusing to cooperate with police.

The other part of the cage holds the seven defendants who are *petiti* or repentant terrorists, who say that they have dissociated themselves from the Red Brigades and are willing to testify for the state.

Mr. Di Lenardo, 23, in a written complaint to court, earlier this week, said that police gave him electric shocks on the genitals, burned him there and on the tongue with an instrument that looked like a cigarette and beat him.

Armando Lanza, 32, who has agreed to testify, also claimed in a written statement that police gave him electric shocks and tied him to a radiator for four days. Police have denied the allegations of torture.

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The decision was not announced publicly. The White House official, who asked not to be identified, disclosed it Tuesday, and expressed the fear that it would create additional problems between the administration and members of minority groups.

The president's decision is the latest action to narrow the application of civil rights laws. Civil rights organizations protested earlier this year when the administration shifted away from previous federal practice and said it would permit tax exemptions for schools that practice racial discrimination.

A White House official said Tuesday that President Reagan made the decision last week after members of his staff had reached a consensus on the issue in two meetings with officials of the Justice and Education departments. Administration officials said the principal advocate of the change was Edwin Meese 3d, the White House counselor.

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Brezhnev's Second Blast

Had you forgotten that the Americans and the Soviets have been in Geneva negotiating quietly on nuclear forces in Europe? Leonid Brezhnev forcefully reminded everyone Tuesday by making one of those loud, bold interventions that the Kremlin is given to making when things get difficult at the table. It came pretty much on schedule, like the second stage of a rocket, just as the Geneva talks went into recess. It was a statement simple and dramatic in form, designed to appeal over the heads of the negotiators to an anxious and somewhat confused Western public.

The Soviet Union will unilaterally freeze its missile force west of the Urals aimed at Europe, Mr. Brezhnev declared, if NATO does not deploy new Pershing-2 and Cruise missiles, or if agreement on mutual reductions is achieved. Moreover, he said, later this year his government will unilaterally remove "a certain number" of missiles, barring "a new aggravation of the international situation." That was the carrot. The stick: If the United States deploys the new missiles, creating "a real additional threat to our country and its allies," Moscow would "put the other side, including the United States itself and its own territory, in an analogous position. This should not be forgotten." He went on to nag President Reagan to start START, the full-scale strategic arms talks meant to succeed SALT, and made the usual gallery play.

To one part of this statement, President Reagan Tuesday had a prompt response. The Soviet freeze, he said, is not good enough. He is right. In November when the talks began, Moscow held what a unanimous NATO regarded as a dangerous imbalance — 250 to 0 — in the most menacing variety of European missiles, mobile triple-headed SS-20s. In the four months since, Moscow has increased this margin to 300 to 0. The freeze that Mr. Brezhnev offers with an air of self-denial masks an unprovoked expansion of a formidable force of weapons meant to intimidate.

But, insist the Soviets, other European nuclear categories, such as the bombs carried by NATO planes and the independent deterrents of Britain and France, must also be counted. Must they? That is precisely what the Geneva talks are about. The United States argues that the Soviet SS-20s are in a class by themselves and must be reduced to zero, or countered. The Soviets contend that other Western weapons, regardless of their different physical and political characteristics, threaten them, too.

From the start, the Reagan strategy has been to show that NATO is united on the matter of the special menace of the SS-20s. Mr. Brezhnev brought the Soviet strategy into full view Tuesday. His position is properly outrageous. It is a negotiating position.

THE WASHINGTON POST.

Mexicans as Mediators

If we hear Secretary Haig correctly, his Central American policy this week is to wish Mexico well in trying to broker a deal between Latin guerrillas and the Reagan administration. That is a tall order, and he is right to add all the usual cautions. But now the administration seems on the right track; the question is why it has taken so long to welcome Mexican involvement.

In the short run, no deal may be possible. The mood in the region is inclement for diplomacy. Nicaragua has suspended civil liberties for 30 days following the dynamiting of two bridges, acts that the Managua regime blames on U.S. "aggression." With recrimination at this level, and a crucial election scheduled in El Salvador for March 28, not much room is left for maneuver.

Still, Mexico's effort can have an immediate and beneficial result. It can pull combatants apart before they strike irrevocable blows. And it can open space for diplomacy by other countries, notably Venezuela and Costa Rica, removing the odor of unilateralism from Washington's case.

In fact, without Mexican involvement, there can be no Central American policy worthy of the name. Mexican security is vitally at risk when civil war tears the isthmus apart; turbulence in Guatemala laps directly at the Yucatan Peninsula, with its oil fields.

Why, then, has it taken so long for the administration to warm up to Mexico's repeated calls for negotiation? One reason is the belief that Mexico has tried to buy social peace at home by supporting leftist causes elsewhere. Another is the belief that Mexicans don't know, or want to know, the degree

to which guerrilla movements are armed and controlled by Cuba and the Soviet Union. So, says the conventional wisdom followed in Washington, even if Mexico was once a revolutionary country, it is now out of touch.

All of this may be true. If so, what better way for Mexicans to find out the facts than to try them hand as mediators? Let it be noted that the Mexican foreign minister has been listening to Washington's arguments; he now says that Nicaragua's involvement in supplying arms to El Salvador guerrillas "must stop." And that, to Haig, is the most important consideration in any modus vivendi between the United States and Nicaragua.

But, in fact, Mexico's pleas for negotiations are not simply a matter of domestic politics; they spring from a profoundly different perception. Having undergone a revolution more recently than North Americans, Mexicans know better how to talk to revolutionaries. That is hardly unimportant, because in coming months the United States may well need to open new channels to guerrilla leaders in Central America.

The vote in El Salvador may swing that country to the far right, increasing the power of the military at the expense of President Duarte, raising cries of fraud. Something like that has already happened in Guatemala. If the choice is between guerrillas and right-wing repression, Americans are unlikely to give military help to the latter. The ultimate winners would be the totalitarian left.

Mexico's value as a mediator could yet acquire unexpected value to all Americans, North, South and Central.

THE NEW YORK TIMES.

U.S. policy in Central America ought to be based on three elements. The first is support, meaning aid and the encouragement of reform, for friendly and reasonably worthy governments. The second is military nonintervention — the only position likely to bring a U.S. president the requisite domestic leeway and international company, especially Latin company. The third is negotiation. The Reagan administration has not done all that it might on the first two points, but it has been especially deficient on the third.

That is the significance of the latest meeting of the foreign secretaries of Mexico and the United States. It has provided the brightest glimmer to date of U.S. interest in the negotiating track.

To be sure, Mexico is not everyone's idea of a down-the-middle mediator. Its foreign policy often seems designed to appease its domestic left. But with its own great and growing revolutionary potential, Mexico has a plain interest in helping Central America to simmer down. This may explain why President José López Portillo made his move last month. Perceiving that El Salvador's agony cannot be resolved within its borders, he proposed a broad approach. He would ease the United States' overall tensions with Nicaragua and Cuba, and add negotiations to the El Salvador mix.

For the United States, it was always a good idea to work with, not against, the Mexicans. They have a weight and an access in Central America that no administration can match. It was hard to work with the Mexicans, however, while they refused to put on their public agenda the item most troubling the United States: Nicaragua's support of Salvadoran guerrillas. Over the weekend,

THE WASHINGTON POST.

March 18: From Our Pages of 75 and 50 Years Ago

1907: Shah's Uncle Is Replaced

TEHRAN — The commission appointed to investigate the complaints made by the people of Isfahan against the Zill-us-Sultan has drawn up its report. The Shah has accepted the Zill-us-Sultan's resignation, and has approved the appointment of Nezam-es-Saltan in his stead. The Zill-us-Sultan, who has been governor of Isfahan, the third city in Persia, for 40 years, is an uncle of the present Shah. Also governor of Khorasan and Azerbaidzhan, he raised and drilled an army, which excited the suspicion of Russia, with the result that he was deprived of his army and much of his power. He excited the animosity of the anti-foreign class by having his sons educated by English and French tutors.

1932: Police Raid Nazi Offices

BERLIN — Following charges that Adolf Hitler was concocting an elaborate plot for control of the government by overpowering the Reichswahl and starving Berlin into submission, police have conducted raids on all offices of the Nazi party and on the homes of its leaders throughout Prussia. On orders from the Minister of the Interior, police pounced on the headquarters and branch bureaus of the party, and in Berlin alone 60 raids were made. The Prussian authorities supported their action by the charge that the Hitlerites have been planning a coup d'état for a long time. They accuse them of planning to cut off "red Berlin" from food supplies by throwing an armed force around the city.

Reagan's Language Is Not Up to These Issues

By James Reston

WASHINGTON — You can always tell when an administration is drifting into serious trouble when the president begins hitting the road, attacking Congress and blaming his problems on the press. It is a sure sign that the first-year political honeymoon is over.

In his latest trip down South, Reagan denounced what he called the "propaganda campaign" of his critics on Capitol Hill, and characterized them as "big spenders" and "parade walkers" who march out to denounce the projected deficit on television, and then slip back behind closed doors to bust the budget in their committees.

Complaints of reports in newspapers and on television about the coverage of the war in El Salvador, the president said in an interview with TV Guide magazine. "There has been a kind of editorial slant that has something almost of the Vietnam syndrome, which challenges what we are doing [in Central America]." He appealed to reporters to "trust us and put themselves in our hands" when dealing with sensitive information which, if published, might embarrass the government.

The response in Congress was not been excessively enthusiastic.

In Montgomery, Ala., Reagan went back to one of his favorite campaign tactics of attacking Washington, as he were still opposing the government he now represents. "As long as I can cross the Photo-

mac River," he said, "and get out here with the real people, I'll keep the faith."

This line of argument is beginning to spread through the Cabinet and the White House staff. When President Brezhnev proposed to withdraw his medium-range missiles from Eastern Europe if the United States would not put new modern missiles in Western Europe next year, Edwin Meese, the president's counselor, said this was like a football team ahead 50-0, proposing to freeze the score at that point in the third quarter.

When Meese was asked whether the CIA was using subversive warfare against Nicaragua, which the United States is committed by treaty not to do, he replied that he did not discuss such things.

The point here is not that the administration is wrong to defend its policies strenuously, or to oppose its opponents or its allies when it thinks they are wrong, but whether, needing the support of both, this is the most effective way to do it.

Ronald Reagan is at his very best when he addresses serious subjects in a prepared speech, as he did last November in his first major statement on the control of nuclear weapons. He is at his worst when he reverts to his old campaign style at Republican rallies and tries to substitute his amiable personality, his old familiar anecdotes and partisan ridicule for carefully con-

structed explanations of his policies.

This is particularly true on the problem of dealing with the rising mass protests against the nuclear arms race. Actually, the Brezhnev proposal for a nuclear freeze in Europe sounds fine only if you don't think about it. Meese is quite right in suggesting that Brezhnev wants to freeze the present nuclear balance when the Soviet Union is ahead; for even if Moscow withdrew all its medium-range missiles behind the Urals Mountains, it would still be able to hit every European capital from there.

But this subject is so serious and complicated that it has to be explained, and not dismissed by casual remarks in press conferences or on television. In addition to the world economic crisis, it is likely to be the prevailing issue of allied and East-West relations for the rest of the decade.

Anybody who wonders why hundreds of thousands of people have been protesting in the streets of Europe against the nuclear arms race, or why this mass movement is now spreading in the churches and universities and even the town meetings of the United States, should read Jonathan Schell's startling series of articles in recent issues of The New Yorker magazine, soon to be published by Alfred A. Knopf under the title, "The Fate of the Earth."

It addresses a worldwide fear. No government in the free world favors a freeze

on nuclear weapons at the present level of terror, but no government, including the government of the United States, is likely to get consent for present nuclear policies unless it deals with this rising human anger against them.

This is especially true as opposition grows in the United States to the Reagan military policies. The Secretary of State Alexander Haig's misifying clarifications of Central American policy and to the administration's cuts in taxes and social benefits for the poor and students aid.

A coalition of forces is gathering against the administration, not because of but in spite of the clumsy Democrats. The president is trying to tough it out in the conviction that he is right and the opposition is wrong, even including his old buddies in Big Business, who are no longer laughing much at his jokes. The president is not trying to educate the public on these complicated questions or trying to persuade his critics in Congress and the country. Instead, he is playing confrontation politics at home and abroad and evading the deeper philosophical questions with glib one-liners on television.

The trouble is that this device is not working. It is not reducing the opposition to the president's policies but increasing it, and even Meese agrees in private that the president must and will soon begin to speak out in a different way.

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Why Be Afraid of Falling Oil Prices?

By Hobart Rowen

WASHINGTON — As oil prices fall, the latest panacea being examined by U.S. government officials and debated in corporate boardrooms is a tax on oil imports, maybe \$5 to \$10 a barrel. This, it is presumed, would stimulate domestic output, encourage conservation and further reduce dependence on imports, especially from the OPEC members.

That is half-baked idea based on faulty reasoning. Milton Russell of Resources for the Future put it succinctly this way: "The idea that these oil prices going down is bad for us is perverse."

Fear is the basic rationale behind the proposal. Americans are warned that lower oil prices reverse the healthy trend of the past couple of years toward sharply reduced consumption: Car buyers will go back to gas-guzzlers, wasteful practices will be resumed by industry, the search for alternatives to oil will be slowed, and dependence on OPEC will be increased rather than weakened.

Yet most experts agree that there is little OPEC can do to stem the long-run decline in consumption. The question is not whether the Saudis can hold the price at \$34 or \$32, but whether they can hold it anywhere," says Russell.

Not only is a \$5- or \$10-per-barrel oil import fee unnecessary to defang OPEC, it would reverse the only visible healthy economic trend in the United States — reduced inflationary pressures stemming in good part from lower oil prices. For those looking for an anti-OPEC weapon, a better strategy is to fill the strategic petroleum reserve while oil is cheap.

As economist Alan Greenspan says: "The trend to reduced consumption is irreversible. Lower prices aren't going to trigger a massive increase in fuel consumption. Sure, there will be some increase [as prices drop]. And there will be some increases as economic recovery gets under way. But we are seeing a semi-permanent response [to the earlier big jump in oil prices]."

For example, home owners are not going to pull the insulation out of their houses if oil oil prices go down. In industry, Greenspan says: "There will be some hidden gains in efficiency, some economies of scale, some savings in energy use."

Oil-consuming and producing countries have ridden the same roller coaster up and down. The consumers' interest is to get off and to promote stability.

This is impossible so long as

may be that it's economically wise to delay some investments that industry thought would pay off earlier, and I think that's both publicly and privately wise."

When you get right down to it, the only "benefit" of an import duty would be the yield to the Treasury of about \$40 billion in new revenues from the import duty directly, and from the windfall profits tax on domestic oil, which would be allowed to rise to the duty-fattened import price.

But the costs of such a benefit to the budget deficit would be enormous in other directions. Higher oil prices would have a serious inflationary effect. Because oil costs would be higher in America than in the rest of the world, one more noncompetitive element would be added to American exports, already struggling in world markets.

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Now the process is working in reverse. Higher prices (resulting from the Iran-Iraq war) and recession have blunted demand. It dropped from 52 million barrels a day in 1978 to 47 million barrels last year. Britain has cut oil prices by \$5.50 a barrel. The official OPEC price remains at \$34, but some specialists think it might drop as low as \$20 to \$25.

What no one knows is how much of today's downward price pressure is temporary, resulting from self-off or excess inventories. Such uncertainty would never



On the Other Hand, Why Be Afraid of OPEC?

By Robert J. Samuelson

WASHINGTON — Oil prices are falling and OPEC is scrambling to prevent a total collapse. If it cannot, obituary writers from New York to Tokyo will gleefully proclaim the cartel's demise.

They will be wrong, because the cartel hardly ever existed. But belief in its existence has hampered the West in understanding and adjusting to new oil realities.

To say that OPEC is not an effective cartel is not to say it has had no effect on oil prices. But the main driving forces lie elsewhere, in changed consumption patterns and political upheavals.

Oil-consuming and producing countries have ridden the same roller coaster up and down. The consumers' interest is to get off and to promote stability.

This is impossible so long as

consuming nations continue to think that OPEC alone sets prices.

Believing that, consumers relieve themselves of all responsibility to shape world oil supply and demand. They see themselves as victims of an international conspiracy.

They will be wrong, because the same ones it denounced during Somoza's rule — are further evidence that the principal roots of Nicaragua's problems are in Nicaragua, not U.S. soil. It is helping to perpetuate a myth that is driving a country with a tragic history toward further tragedy.

The huge 1973-74 price increases

stemmed essentially from runaway consumption: prices were low, economic growth was rapid and oil supplies were considered limitless.

Between 1950 and 1973, non-Communist oil demand more than

tripled.

Since Somoza's rule

dropped from 52 million barrels a day in 1978 to 47 million barrels last year. Britain has cut oil prices by \$5.50 a barrel. The official OPEC price remains at \$34, but some specialists think it might drop as low as \$20 to \$25.

What no one knows is how

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pressure is temporary, resulting

from self-off or excess inventories.

Such uncertainty would never

trouble any self-respecting cartel. It would regulate output to control prices. OPEC has never done this. What has given the appearance of a cartel are tight markets, which allow producers to raise prices. But OPEC's official price increases usually followed, rather than preceded, jumps in "spot" prices.

Any decline that now occurs, though, is clearly a mixed blessing for consuming nations. To be sure, the initial economic consequences would be favorable. Inflation would slow and Western economies might snap out of their slumps more quickly. Likewise, lower prices would help relieve developing countries of crushing trade deficits and huge debts.</p

'My Dearest Franz'

By Anatole Broyard
New York Times Service

NEW YORK. — Elias Canetti, winner of the 1981 Nobel Prize in Literature, has just published "Kafka's Other Trial," an interpretation of Franz Kafka's bizarre and voluminous five-year correspondence with his fiancée Felice Bauer, whom, as we know, he never married. Though Kafka's letters have been brought out in a bulky volume, we have no direct evidence of hers, which were destroyed. She can only be inferred through him, which has been the fate of so many women. Using the available material, I have attempted to imagine one of Miss Bauer's letters, one that gathers up several of the themes that ran through their tormented courtship.

My dearest Franz,

"I am the thinnest person I know," you write, and you suppose that this is something against you. You are forever apologizing, but you must know that it is for your thinness too that I love, so light and fine, ethereal, almost holy, so delicate with its suggestion of suffering and fastidiousness, like the man in your story who never found what it was that he wished to eat. You are ashamed of your thinness because you do not understand a woman's feelings — how I detest the grossness, the coarseness like your father, of most men, the way they occupy all the space, absorb the light and push one to the edge of the bed.

Though you do complain more than most men, your complaints are you, just as your Josephine the Songstress cannot stop singing. And I trust your complaints. I know that you are telling me

everything, concealing nothing. I know where I am and you and what to expect, for it is the unexpected that is so terrible. It is the men who never complain, who boast that they will make you happy, who end by breaking your heart. "Marriage is a scaffold," you say, yet we are willing to mount that scaffold with me, which is all the proof I need of your seriousness.

On a lighter note I take great pleasure in your jealousy when you write, "Don't lick the indelible pencil, as you did in your last letter, but one." I lick it only to write more indelibly to you, to darken my feelings on the page.

You tell me that you have to be alone, live alone, sleep alone — but that's what a husband is, a man alone with his wife, forsaking all others. Wasn't it a French writer who said, "He doubled his loneliness by marrying?" I will be the mirror, the womb of your

loneliness. Though you look upon me as a trial and argue like an advocate, I can only ask where, my poor Franz, where do they say that it's against the law to love?

Your unworldliness, my dear, is enough to bring the tears to my eyes. See the apartment you found for us: it has neither a kitchen nor a bathroom, as if you thought that marriage, the mere idea of marriage, could feed us and absorb our wastes. The apartment, you insist, must have a cellar. Well then, you shall have your cellar, if you'll allow me a kitchen and bath.

How sensitive you are! In your last letter but three you tell me that the gold in my teeth makes you lower your eyes. But can't you look upon my gold teeth as an investment, a sunrise, a chalice filled with the wine of life? Nothing escapes you, you notice everything: my blouses, my coiffure, how many hours I sleep. I suspect that in your shyness this is your way of thinking about my body.

So you want me to change you? "There are times," you write, "when I think you could change me into a man capable of doing the obvious." But I'm not sure what you regard as obvious, because of your habit of expressing yourself in images.

In one sense at least we have



By Sheridan Morley
International Herald Tribune

LONDON — Britain's National Theatre looks set for a long Runyon. Fully 10 years after Sir Laurence Olivier's ill health caused him to abandon his plan to play Nathan Detroit, the stage that bears his name at last has its "Guys and Dolls" and, I would guess, the first mass populist box-office smasheroo sellout in the often troubled history of Sir Peter Hall's South Bank administration. In that sense the wait has been worthwhile, and true to Damon Runyon's gambling instinct the success has been achieved at odds of about 8 to 5 against.

"Guys and Dolls" may be one of the true Broadway musical classics but it is curiously intransigent to stage; its songs are its plot, its characters are its action, and in the end it lives or dies by its choreography and its cast's understanding of the original Frank Loesser-Abe Burrows three-cent opera convention.

In this case the casting has been brave to foolhardy. Of the four principals, Bob Hoskins (as Nathan) is more Hammersmith than New York Broadway. Julia McKenzie (as Adelaide) is patently too good a singer ever to have been confined to the crummy Hot Box nightclub, Ian Charleson (as Sky) is years too young and innocent, and Julie Covington (as Sister Sarah) oddly lacks the requisite Major Barbara fervor. That all four rise above these character drawbacks is due partly to the aforementioned choreography (and if there is a single triumph in this evening it is David Toguri's) and partly to the perfectly cast supporting team.

Never expect to see a better Nicely-Nicely than David Healy, nor a more sinister Big Jule than James Carter; Bill Paterson as Harry the Horse, Barrie Rutter as Benny and Harry Towb as Brannigan are equally superb down to their patently aching feet, and what was always a company show (the title song and the second-half showstopper are both sung by minor characters) becomes in Richard Eyre's brisk production a victory of mass stagecraft over individual turns.

From its filmic opening titles, which sensibly haul the memory back into the Warner Brothers black-and-white 1940s from the false Goldwyn Technicolor image of Brando and Sinatra, right through to John Norrmington doing "More I Cannot Wish You" quite beautifully, this is a production in which the whole is always greater than its parts. It is a tapestry of small-time losers and big-band numbers, and though Eyre's overall concept may lack the acid edge of the recent Half Moon Theatre revival, it fills the Olivier stage with the brassy sound and tacky sizzle of Runyon's Broadway.

There is however one point

A Nicely-Nicely 'Guys and Dolls'



John Hayes
Julie McKenzie (Miss Adelaide), Bob Hoskins (Nathan Detroit).

such as in the final confrontations with dying husband and departing daughter, she is able to recreate the studio conditions in which some of her best movie work was done, and is then suddenly and briefly very good.

The essential trouble is that she utterly lacks the quality of evil that both Talullah Bankhead and Bette Davis were able to bring to the original stage and screen productions, and the production seems to acknowledge this by having its major climax, the death of her husband after she has denied him the life-saving medicine, happen off-stage. Thus we are left with the echo of a melodrama, and the memory of other and better versions.

That Hellman's play may well be even now a lot sharper and stronger than it looks here, that it may still have something to say about the bitter aftermath of the Civil War, and that it remains a quintessentially theatrical statement of the theory that the family which decays together stays together, all that and more are lost in the uneasy transition from drama to star vehicle.

Taylor simply cannot cope with a stage full of people, and her director, Austin Pendleton seems to have contented himself with making sure that the rest of his cast keeps a respectful distance from her except when actually being spoken to. The result is a thick-set, clumsy and styleless rendition of a play in which style and timing are or ought to be everything; an evening for stargazers rather than theatergoers.

The 'Poisson Distribution,' Math and Madame Pompadour

By Joseph McLellan
Washington Post Service

WASHINGTON — "This is not a random sample of the population," said a mathematician, standing at a buffet table and looking across a busy room at the Cosmos Club.

Indeed, it was not. In one corner, statistician Charles Roberts of the Smithsonian was discussing the mating habits of Bactrian camels: "It's a little bit like one Cadillac raping another," he was telling Seymour Selig of the Office of Naval Research and French scientist Michel Clerget. A few feet away, statistician Nozer Singpurwalla of George Washington University was earnestly asking biomathematician Max

Horane Cancels La Scala Dates
The Associated Press

MILAN — A last-minute decision by the mezzo soprano Marilyn Horne not to sing at La Scala opera house caused the prestigious Milan theater to cancel scheduled performances of Rossini's "L'Italiana in Algeri" and to reshuffle its opera schedule for the next two months. A spokesman for La Scala said the American singer did not sign the contract with the Milan theater after reaching a verbal agreement. Reliable sources said the singer was angered by the management decision not to give her a role also in another opera, Berlioz's "Les Troyens."

Woodbury of Duke University, "Why should cancer-related events be binomial?"

Don Gross, the author of a standard textbook on something called "queueing theory," was reflecting that he doesn't mind waiting in line the way other people do, because his branch of science deals with the factors involved in the formation of waiting lines: "I tell myself, if it wasn't for lines like this, I wouldn't have a job."

All the scientists in this non-random group had spent the day at George Washington University delivering and listening to papers on the work of French mathematician Siméon-Denis Poisson, who was born 200 years ago. "Actually, his 200th birthday was last June," said Singpurwalla, one of the organizers, "but it took a while to get it all together; we had so many sponsors, and we had to bring in people. I proposed that we delay it so that we could do a better job."

The co-sponsors of the event (the George Washington Graduate School of Arts and Sciences and School of Engineering, the Office of Naval Research, the French Embassy and the Washington Statistical Society) did manage to get it all together within Poisson's bicentennial year.

Singpurwalla, a music lover as well as a mathematician, is unhappy that genuine Poisson, who works in a highly specialized field, get less attention than geniuses like Beethoven. "People remember great artists," he said, "but except for a small circle, they forget great scientists."

The people at the Cosmos Club have not forgotten Poisson, whose mathematical work is more important today than it was during his lifetime in fields that he could never have imagined. His research is used by insurance companies to estimate what kind and number of accidents will happen in a given time period, by the U.S. Navy to predict corrosion in pipes, by medical researchers and engineers, supermarkets and transportation systems.

Airlines and nuclear regulators rely on Poisson's work to predict the reliability of performance by airplanes and reactors. His key contribution, known as the "Poisson distribution," is useful for predicting the occurrence of rare events and evaluating the element of chance in human events.

Effect on Jury Verdicts

Herbert Solomon of Stanford University studied his statistical research on the relation of the size of a jury to the correctness of its verdicts and found that it is still valid today, when juries are shrinking along with a shrinking economy. "There is a significant difference between a jury of six and a jury of 12, although the Supreme Court has said there isn't," Solomon said. "When you reduce the size of a jury, the errors increase. It wouldn't hurt the Supreme Court or its clerks to read what Poisson published in 1837."

Opponents of the hotel project, including prominent actors, producers and playwrights, have been staging protests at the site. The only remaining hurdle for the proposed hotel is a stay granted March 4 by Justice Thurgood Marshall of the U.S. Supreme Court that bars demolition until the Supreme Court has had a chance to consider a petition from the pro-theater groups.

Effect on Jury Verdicts
New York Times Service

Appeal to Save Theaters

New York Court Rejects

Appeal to Save Theaters

New York Times Service

NEW YORK — The State Court of Appeals, New York's highest court, refused Tuesday to hear an appeal to delay demolition of the Morosco and Helen Hayes theaters in Manhattan, removing all but one barrier to construction of the 50-story Portman hotel in the Times Square area.

Opponents of the hotel project, including prominent actors, producers and playwrights, have been staging protests at the site. The only remaining hurdle for the proposed hotel is a stay granted March 4 by Justice Thurgood Marshall of the U.S. Supreme Court that bars demolition until the Supreme Court has had a chance to consider a petition from the pro-theater groups.

There is however one point

about this success I would like to point out. A smash hit at the National Theatre is not precisely the same thing as a National smash hit; this revival has been achieved by a director and a choreographer totally new to the National with a cast among whose four principals only one has ever played a leading role on a main National stage. In that sense, it is not a show which emerges from the bowels of the company, nor one that says anything about the nature or existence of a National policy on musicals.

In a week when we have been reminded of the best of Broadway we have also been granted a glimpse of the worst: to an audience who had paid £25 a ticket on the first night, at the Victoria Palace, was granted the personal appearance of Elizabeth Taylor in Lillian Hellman's creaking melodrama "The Little Foxes." This production (first seen on Broadway with a stronger supporting cast) would now appear to have reached the end of its bus-and-truck tour and is indeed showing signs of wear and tear. Taylor is surrounded by a supporting company of leftover heavies from minor television movies and the result, when all are on stage, resembles nothing so much as an evening at Madame Tussaud's.

All of which is a pity, because in there somewhere is a once-great play and the last-act glimmer of a possibility that in a better production Taylor might have been able to deliver. When she is on stage with just one other actor or actress,

she utterly lacks the quality of evil that both Talullah Bankhead and Bette Davis were able to bring to the original stage and screen productions, and the production seems to acknowledge this by having its major climax, the death of her husband after she has denied him the life-saving medicine, happen off-stage.

Thus we are left with the echo of a melodrama, and the memory of other and better versions.

That Hellman's play may well be even now a lot sharper and stronger than it looks here, that it may still have something to say about the bitter aftermath of the Civil War, and that it remains a quintessentially theatrical statement of the theory that the family which decays together stays together, all that and more are lost in the uneasy transition from drama to star vehicle.

Taylor simply cannot cope with a stage full of people, and her director, Austin Pendleton seems to have contented himself with making sure that the rest of his cast keeps a respectful distance from her except when actually being spoken to. The result is a thick-set, clumsy and styleless rendition of a play in which style and timing are or ought to be everything; an evening for stargazers rather than theatergoers.

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Growing Soviet Economic Troubles Seen By Some in U.S. as Unusual Policy Lever

Officials See Chance to Press Kremlin for Concessions

By Hedrick Smith

New York Times Service

WASHINGTON — Evidence is growing that the Soviet Union is caught in a hard-currency squeeze. This has sharpened debate within the Reagan administration over how vigorously to apply economic pressure in an attempt to force Moscow to ease the repression in Poland and to slow military spending and overseas operations.

Over the last year, government specialists report, Soviet short-term debt to Western banks jumped \$2 billion as Soviet cash reserves in institutions ranging from Deutschebank to Chase Manhattan Bank and Morgan Guaranty Trust fell \$2 billion.

The specialists also calculate that the Soviet trade deficit with the West, widened by huge food imports and falling world oil prices, passed \$3.5 billion last year, double the 1980 deficit.

Under those pressures, the Kremlin has felt compelled to sell an estimated 300 tons of gold, worth about \$3.5 billion, over the last six months. Soviet trading companies have also asked Western and Japanese companies to postpone collection of about \$1 billion in short-term debt.

Economic Leverage Seen

Moscow's problems have encouraged some administration policy-makers, centered in the Defense Department and the CIA, to believe that the West now has unusual economic leverage to influence Soviet policies.

The policy-makers view the situation in Poland not so much as the focus of policy as an opportunity to marshal support in Western Europe and Japan for an ambitious campaign to press the Kremlin not only to make concessions in Poland, but to make some hard choices on how to use its own resources and perhaps alter Soviet foreign and defense policies.

"Two things have been mixed up," said a senior Defense Department official, who asked not to be quoted by name. "One is the Polish sanctions. The other is a longer-term strategy to ensure the West does not become the source of aid and support for the Soviets to go on spending 13 to 15 percent of gross national product on defense. I think it's a benefit to the West to elevate the guns-versus-butter argument in the Soviet political hierarchy."

More concretely, Fred C. Ikle, undersecretary of defense for policy, urged U.S. banks on March 12 not to give Moscow credit for grain purchases. "Requiring them to pay hard cash will work to limit their ability to maintain the military expansion program they have undertaken."

Another camp, centered in the State Department and Treasury Department, contends that the Soviet economy is too large, too nearly self-sufficient and too accustomed to belt-tightening in times of stress for the Kremlin to be pressed into concessions on its vital interests or main lines of policy.

This group contends that for all its obvious cash-flow problems, Moscow has well over \$30 billion in gold reserves and hard-currency deposits in the West, more than enough to pay off its total Western debt of \$20 billion. Some officials also recall that Moscow resisted similar Western pressures in the early postwar period, and also recovered from a considerably worse foreign exchange problem in the mid-1970s.

Part of a Strategy?

"Hard" generally refers to those currencies freely convertible among themselves, such as the dollar or the French franc; "soft" currencies such as the ruble are not generally convertible.

The Soviet financial position has deteriorated sharply — but from a very strong base," a State Department official asserted. "What they're doing now is part of a strategy of selling short and buying big to keep flexibility for later on. Don't confuse the idea of their 'scrambling around' because everything has fallen apart, with 'scrambling around to get all they can now because they are anticipating an American policy of a credit crunch.'"

By selling short, the Soviet Union can keep more of its resources for use in its domestic economy, and by buying big, it can build up a cushion of resources.

"There's a big difference between the difficulties the Soviets have, and bringing the Soviet economy to its knees," added another civilian policymaker. "Economics that big don't collapse. The Soviet economy just shambles on. They're used to bottlenecks. They don't run their economy well in normal times. Now, they'll just run it less well. But they can pull in their horns a lot more if they get into a really tight foreign debt bind."

Moscow's Achilles Heel

The two groups generally agree, however, that East Europe, especially Poland, is the economic Achilles heel for Moscow. They reason that even if Moscow can meet its own needs, it will not be able to cope simultaneously with the growing credit squeeze on Poland, Romania and other East European countries.

If that persists, as expected, most policy-makers believe, Moscow will eventually have to permit some liberalization in Poland and perhaps elsewhere. The problem for the West in applying economic pressures there, U.S. bankers say, is that the West itself can be hurt economically.

Forcing a Polish default on Western loans is a "very bad strategy," said Leif Olsen, chairman of the economic policy committee at Citibank. "It would have repercussions for the West as much as it would for the Soviet. And I'm not at all sure that it heightens the pressure on the Soviet."

These are some of the indications of Moscow's cash-flow problems cited by government and other experts:

• An increase in the Soviet Union's short-term debt last year to \$15 billion from \$13 billion.

• A drop in the level of Soviet hard-currency reserves in Western banks from \$3.3 billion at the end of 1980 to \$4.5 billion last Sept. 30, and an estimated \$6 billion at year's end.

• The requests to West German and Japa-

nese trading companies to permit delayed repayment of about \$1 billion in short-term debt.

• Moscow's purchase of 2.35 million metric tons of grain from Australia and the United States last month on 90-day to 180-day credits instead of the usual cash payment, but then reportedly being turned down on Friday by 90 U.S. banks when it sought more 180-day credits.

• An increase in the commodity trade deficit with hard-currency countries from \$2.5 billion in 1980 to an estimated \$5.4 billion to \$6 billion last year.

Major Reason for Deficits

"The Soviet economy is in terrible shape," commented Marshal Goldman, professor of economics at Wellesley College. "The Soviet cash-flow problem is an external manifestation of internal problems. Their grain problem is not just a theoretical exercise: It costs hard currency."

The major reason for the trade deficit was a big jump in Soviet food imports caused by the third consecutive bad grain harvest. These imports jumped from about \$9 billion in 1980 to \$12 billion to \$14 billion last year, a bit more than half of that grain and most of the remainder meat and sugar.

The Polish crisis added a complication. Western experts estimate that the Soviet Union had to underwrite something close to \$1 billion for Polish imports from the hard-cure-

ncy trading companies to permit delayed repayment of about \$1 billion in short-term debt.

• From a purely financial point of view, given the shakiness of the Soviet economy, the massive problems of the Warsaw Pact and reports that the Soviets are requesting delays in repayment of existing loans, I am not sure it is good business practice to lend to the Soviets," asserted Mr. Ikle. "I do not see how such loans can be in the national interest."

Although the various factions of the administration have agreed to urge other Western nations to restrict credit to Moscow and Warsaw while the Polish repression continues, the natural gas pipeline has become the centerpiece of what some U.S. officials in private call a strategy of economic warfare.

Defense Secretary Caspar W. Weinberger has led the internal battle against the pipeline, supported by William J. Casey, the director of central intelligence. They have been frustrated by the refusal of Western European nations to cancel the project and thus deny the Soviet Union the \$8 billion in annual hard-currency earnings the pipeline could deliver later this decade.

Arming Both Sides*

"We do not have the power to stop them," Mr. Weinberger told a Senate committee early this month. "We can only argue with them."

But denying or reducing Moscow's hard-currency earnings in any significant way, this group believes, would curtail Soviet ability to buy computers, microelectronics and other modern industrial goods from the West to develop a military-industrial complex.

"It will inhibit the rate of development and the capabilities of their weapons systems," a Pentagon official contended. "And it will inhibit their overseas operations wherever they have hard-currency costs — Cubans in Africa, Soviets in South Yemen and possibly Central America, the Arab world, Africa. With our trade, we in the West are in the absurd position of arming both sides."

Even without blocking the pipeline, some Pentagon officials want to delay it to try to disrupt Soviet internal development.

"We can't prevent the delivery of Soviet natural gas to Western Europe," a Pentagon policy-maker conceded, "but we can force a reallocation of the Soviet five-year energy plan — with profound implications for the Soviet economy."

According to this line of reasoning, the Russians could build the export pipeline even if critical Western components were withheld, by diverting resources from one of five domestic lines already planned for construction in 1981-85. This would be slower and more costly, and could curtail the internal flow of energy to Soviet industry. And the Pentagon officials argue that the sluggish performance of the Soviet economy makes it particularly vulnerable.

Many officials at the State, Treasury and Commerce departments disagree with that approach. They say it is impractical because, as Mr. Weinberger conceded, the West Europeans are too far along with the project to give it up, and thus Moscow cannot be denied the estimated hard-currency earnings.

Most fundamentally, they contend it is impossible to disrupt the general flow of East-West trade without having adverse effects on Western European economies, noting that West Germany, France and other nations will benefit from receiving the gas and from the jobs created by manufacturing the pipeline equipment.

Moreover, U.S. intelligence officials estimate that Moscow has sufficient earnings to meet the high-priority needs of its military establishment and that past practice demonstrates that military spending is the last sector to feel any belt-tightening.

"It's highly unlikely that they would make any decisions affecting their vital security interests because of economic pressures," a policy-maker said. Another specialist added: "We have no evidence that defense spending is going to grow at anything less than the 4 or 5 percent of the past few years."

Government specialists report the Soviet leadership has already begun cutting back on

There's a big difference between the difficulties the Soviets have and bringing the Soviet economy to its knees. Economics that big don't collapse.'

internal economic investment, scaling back its original target of 12 percent to 15 percent growth in the first half of the 1980s to 10.4 percent. This means slower growth in an economy chronically plagued by overcentralized management, labor shortages and productivity problems.

Both government specialists and academics such as Mr. Goldman, author of the forthcoming book "The Soviet System: Failure of the Stalinist Model," report that Soviet economic growth last year was sluggish, probably under 2 percent, as it had been in the previous two years.

Not only have the farm harvests been bad, Mr. Goldman said, but "things the Soviets are considered good at — steel production, coal output, automobile production — are at a standstill."

The figures for January, 1982, production were below those for last year," he went on. "Practically everything is lower except natural gas. That amounts to a recession, and the Soviets aren't used to that."

Western specialists say Moscow is not taking chances on cutting back food imports, despite its foreign-currency squeeze. For although the Soviet population is much more passive politically than the Polish people, food shortages have caused some temporary and scattered work stoppages in the Soviet Union. Mr. Goldman has cited 10 to 15 such incidents

in the last 18 months in such places as Togliatti, the Donets coal mines, Kiev, Ordzhonikidze and Tbilisi.

For all those difficulties, however, experienced Soviet-watchers such as Mr. Goldman are skeptical that the Soviet economy can be pressed to the point of collapse from outside.

"The Russians have this ability to endure and suffer, particularly when it's made to look as though all the problems come from outside," he said. "They rally round the flag. The Soviet leadership is good at getting them to make sacrifices to combat what they portray as an external threat."

Burdens of Eastern Europe

"I don't know that you can push the Soviets to the wall that easily with financial pressures," commented Rimmer de Vries, international economist and senior vice president of Morgan Guaranty Bank. "The Soviets don't like to be cornered by financial issues or to change political policies because of financial pressures."

Where Moscow seems most vulnerable, however, is in East Europe, which faces even more severe credit problems than the Soviet Union. "With the Soviet economy standing alone, there is very little we can do," Mr. Vanous said. "But if we lump in Eastern Europe, the picture changes dramatically."

The net debt of Eastern Europe to the West is \$58 billion, roughly four times the net debt of the Soviet Union, even though the East European economies lumped together are less than half the size of the Soviet economy.

The Soviet economy is strong enough, by Mr. Vanous' estimate, to provide a hidden ruble subsidy worth \$20 billion to East Europe, either in the form of trade surpluses or discounted prices for vital oil and gas supplies. For example, government officials believe, the ruble subsidy to Poland's trade last year was worth \$4 billion, because Moscow exported to Poland close to \$6 billion worth of goods but got back less than \$2 billion worth.

The most significant element of the subsidy is the annual export of about 80 million tons of oil to East Europe at bargain prices estimated variously at one-half to one-third of world market prices.

The Kremlin has informed most East European leaders that their oil supplies from the Soviet Union will be cut 10 percent this year, to give Poland an extra 3 million tons and to permit Moscow to sell the other 5 million tons for hard currencies.

The problem is that East European economies are so hard-pressed financially that they will find it hard to compensate by buying oil on the world market. Eventually, specialists here believe, East European leaders will talk Moscow out of the full 10 percent reduction.

"The Soviets cannot afford to create an economic crisis in Eastern Europe, as they learned in Poland," Mr. Vanous observed. "They can squeeze a little bit more, but not much. A credit crunch is already in motion on Eastern Europe. If it continues, we will see a severe economic crisis by mid-1983 in most of the East European countries."

Poland is the most vulnerable. Warsaw had so much trouble last year mustering \$3 billion to pay interest on debts to the West and another \$2.2 billion to pay for hard-currency food imports that it had to ask the West to roll over its debt, and Poland still needed \$1 billion or more in hard currency loans from Moscow, according to U.S. specialists. Poland has just made its interest payments that were due in 1981.

With the suspension of selected Western aid, including last year's \$750 million on easy credit terms for U.S. food shipments, Poland faces even tighter straits this year.

"The financial situation forces the Soviets to think long and hard about the added costs of the Polish repression," a U.S. policy-maker said.

But another knowledgeable official countered: "The idea of the Soviets assuming the Polish debt burden doesn't make sense: It's just too large for them. Besides, it's money owed to the West, and Western institutions have a stake in keeping Poland alive. The way the Soviets look at it is, the more we do for the Poles, the more we bail out the West. Why should we do that?"

The Pentagon-led faction vigorously advocates letting Poland fall formally into default on its loans, calculating that this will disrupt East-West trade and financial relations generally.

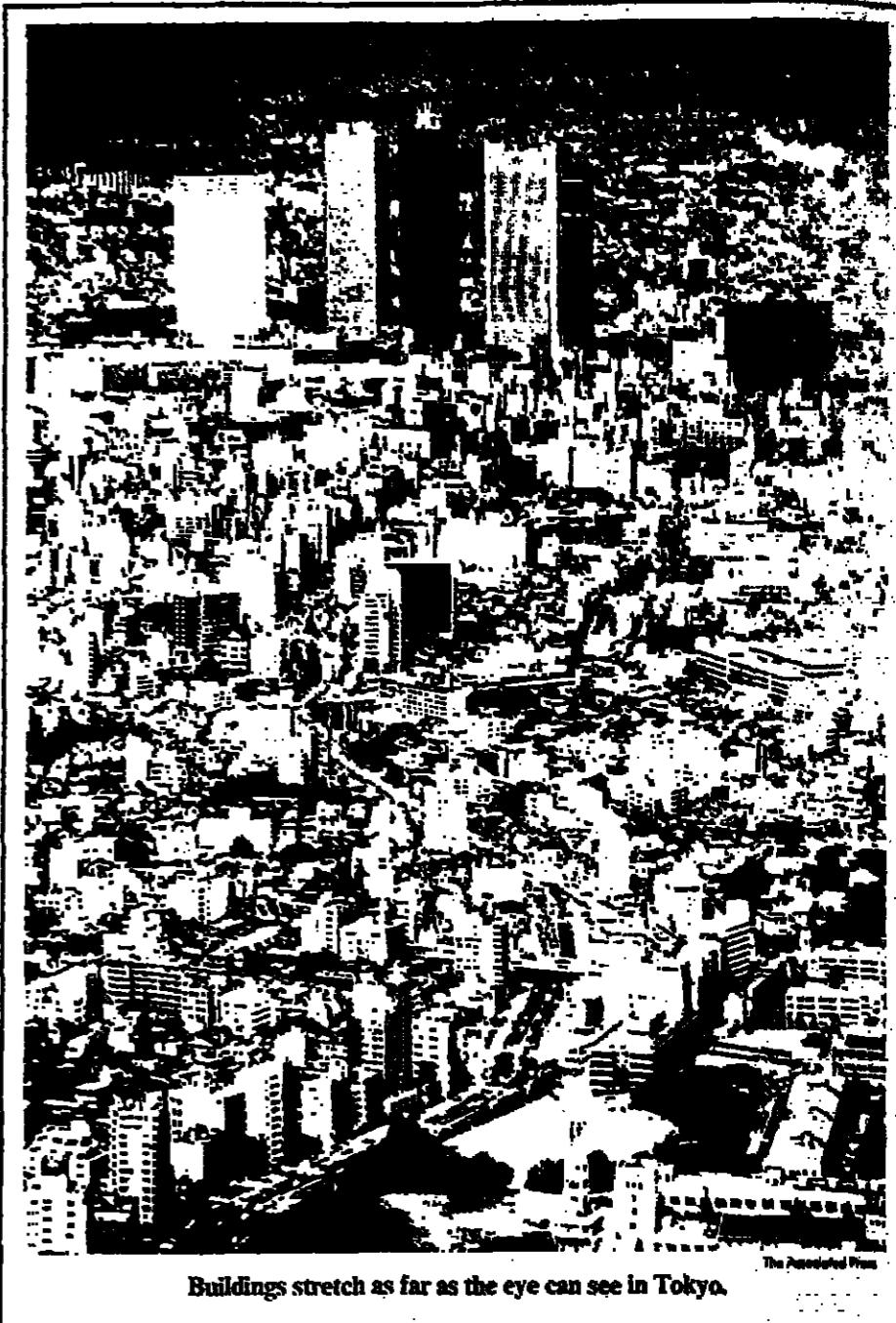
But American bankers such as Mr. Olsen and Mr. de Vries, as well as State, Commerce and Treasury department officials, have opposed this. Their argument is that it will not only jeopardize the chances for ultimate repayment by U.S. banks, but cause a dangerous rift with West Europe, to which East-West trade is vital.

The critical point is the domino effect," Mr. de Vries observed. "Because of Poland, all the Western banks are becoming more reluctant to give new credit to Eastern Europe. Politicians and bankers are getting entangled. It's not just Poland — it's the whole shebang."

Moreover, as Mr. Goldman and other long-time students of the Soviet Union note, a clear-cut halt in Western trade and credits would make it easier for the Kremlin to rally the Soviet people to make sacrifices and protect vital policies. It would put the greatest economic and financial burden on East Europe.

Some government officials and outside specialists contend that it would be more effective merely to continue the current, less-dramatic approach in which Western banks, worried about collecting on their past loans, gradually restrict the flow of new credits to East Europe and slowly tighten the squeeze. The object would be to prod the Polish leaders, and perhaps others, to get Moscow to permit political and economic liberalization in East Europe in return for Western financial help.

"If the Soviets want badly to cut back the cost of empire, they need more efficient economies in Eastern Europe," Mr. Vanous said, echoing a theme of the State-Treasury group. "That means economic decentralization and political liberalization."



Buildings stretch as far as the eye can see in Tokyo. The Associated Press

Despite Prosperity, Japanese Complain Of Housing Crunch

By Tracy Dahlby

Washington Post Service

TOKYO — At the elbow bend of the Sumida, the river that flows through Tokyo's eastern flank, lies a neighborhood called "The Garden of a Hundred Flowers" where Sadamitsu Ishii lives with his wife and two teen-age sons.

Mr. Ishii, a history buff, says that in the days of the country's Samurai rulers the area was the haunt of some of Japan's most celebrated men of letters. It was also one of the city's flourishing entertainment districts where the warrior elite and rich townsmen thronged the teahouses to revel in the company of courtesan geishas.

Today, a little over a century later, the charm of that bygone era has vanished and the neighborhood is a warren of over-crowded, tawdry apartment blocks and ramshackle houses that may fit more the foreign visitor's image of a slum district in a large American city than the capital of this economic superpower of 117 million people.

Quality of Life

Today, in a country where the overall quality of life is among the world's highest, the average family of four lives in only three rooms, covering an area of roughly 700 square feet.

The housing crunch has touched off an outcry among a growing number of Japanese who complain that the government that has in the postwar period pursued policies that have pumped the country's rapidly accumulating wealth into the expansion and upgrading of industry at the expense of better homes.

Meanwhile, critics in the United States and Western Europe have charged that Japan has piled up devastating surpluses with its major trading partners while its leadership has allowed most Japanese to live in what even the Japanese now self-mockingly refer to as "rabbit huts."

Japanese in the densely populated urban centers put up with housing conditions that are among the worst in the industrialized world.

"Viewed from the outside," said Mr. Ishii, 45, whose yearly income of \$18,000 qualifies him as a member of Japan's burgeoning middle class, "Japan is an economic giant. But if you look at family budgets and housing conditions, many people are just getting by."

Postwar Dream

The Japanese have scrimped and saved to pursue the postwar dream of owning their own homes. At only about 8½ percent, commercial mortgage rates here are almost ridiculously low compared to those in the United States. But the dream has become an increasingly impossible one in the face of skyrocketing land and construction costs that have nearly quadrupled over the past decade.

In Tokyo, by most standards the world's most expensive city, buying a home remains an outrageously expensive proposition. A square foot of land in one of the city's bustling commercial districts may sell for \$1,500 and a small, cheaply built home in the suburbs cost upward of \$160,000, or nearly eight times the average worker's yearly earnings. A modest, Western-style home that

BUSINESS NEWS BRIEFS

New Law Helps GE Turn Tax Liability to Refund

Procter & Gamble to Buy Pharmaceutical Unit

From Agency Dispatches

CINCINNATI — Procter & Gamble said Wednesday that it has agreed to acquire the pharmaceutical unit of Morton-Norwich Products for \$371 million. The transaction is subject to regulatory approvals.

The unit, Norwich-Eaton Pharmaceuticals, produces and sells over-the-counter medications, prescription drugs and other drug products sold primarily to hospitals. The business had total profit of \$22 million on sales of \$216 million for the fiscal year ending last June 30.

Procter & Gamble, a leading maker of soaps, detergents and household paper products, said that it did not plan any immediate changes in the operations of Norwich-Eaton, but added that the acquisition will provide the company with "an entry into categories of growing business in which we do not currently compete."

Boeing Shelves Retrofitting Option to Airlines

Washington Post Service

WASHINGTON — Boeing has shelved a plan to offer airlines the option of retrofitting their 727 aircraft instead of buying new-generation aircraft, according to H.C. Munson, vice president of strategic planning for Boeing Commercial Airplane.

American Airlines and others had expressed some interest in Boeing replacing the engines and cockpits of older 727s, considered the workhorse of the industry, with new-generation engines and new cockpits with the latest avionics equipment. But Mr. Munson said Tuesday that the company's studies had determined the project is not feasible.

The airlines currently do not have the profits necessary to make commitments on ventures that would entail significant development costs such as the retrofitting project, he said, adding that if profits return to the industry, airlines likely would choose instead to order Boeing's new line of aircraft, the 757 and 767.

Texas Instruments Lays Off 3% of Workforce

The Associated Press

DALLAS — Texas Instruments, citing a slump in sales of computer components, on Wednesday laid off 2,700 workers, or about 3 percent of its worldwide workforce.

The company said the cuts primarily affect its semiconductor and distributed computing operations, both of which have experienced soft market conditions and excess capacity for most of 1981.

Texas Instruments said it had hoped that selective use of short-term measures such as short work weeks would be adequate, but the continued weakness in U.S. and European economic activity made the job cuts necessary.

Schering Says Group Profit Increased in 1981

Reuters

WEST BERLIN — Schering group profit in 1981 will show a rise on 1980 and parent company net profit in 1981 will be similar to that recorded in 1980, the West German chemical and pharmaceutical company said Wednesday.

It said group turnover rose 19 percent to 3.83 billion Deutsche marks in 1981 from 1980. Parent company domestic turnover rose 0.5 percent to 597 million DM but showed a real volume fall of 3 percent, it said. World group net profit was 7.7 million Deutsche marks in 1980 while parent company net profit was 7.8 million DM.

Schering said results were positive in most countries in 1981, though there were losses in the U.S. sector because of high interest rates and the general economic climate. Parent company export sales rose 17.4 percent to 1.13 billion DM, it said.

Wienerwald Chain to Sell Franchises

The Associated Press

MUNICH — Two-thirds of the worldwide chain of some 1,550 Wienerwald restaurants will be sold as franchises in an attempt to improve the liquidity of the Wienerwald Group, Kurt Lichtenstein, the company's finance manager, said Wednesday.

He said the need for cash arose after two bank creditors had demanded repayment of some \$1.25 million in debt. He said the banks' action was "to be seen as a normal business transaction." In the last three years, the group, controlled by the Swiss-based Wienerwald Holding, borrowed almost \$110 million from 24 West German and Swiss banks to finance expansions and acquisitions.

Earlier, Friederich Jahn, the head and founder of the Wienerwald Group, said in Los Angeles that the company "wasn't in any danger" as long as other banks did not call in their debts. In 1981, the Wienerwald Group, which also owns the Tourotel hotel chain and a travel agency, had sales of \$924 million.

French, Belgian Francs Fall On Rumors of Realignment

Reuters

LONDON — The French franc, troubled by rumors of a devaluation within the European Monetary System, fell sharply Wednesday against the dollar and the pound, dealers said.

The Belgian franc, another currency rumored to be in line for a downward shift within the EMS, also closed weaker at 44.315 to the dollar against 44.145 Tuesday. The currency is also affected by strikes and industrial unrest in Belgium, the dealers noted.

Dealers in Brussels said they thought Belgium's National Bank had intervened during the day to support the franc. In the week ended last Monday, the National Bank spent nine billion francs in supporting the Belgian currency in the first major intervention since an 8.5-percent devaluation of the franc Feb. 22.

Meanwhile, the dollar recovered from the day's lows in London after a lively afternoon's trading, dealers said.

French Raise Rates

The French franc fell to 6.1375 against the dollar from 6.1225 Tuesday and to 11.0950 to the pound from 11.0480 amid continued speculation of an EMS realignment.

According to rumors, the realignment would involve a revaluation of the Deutsche mark and the guilder against the French franc and a downward adjustment of the Belgian franc and other currencies, dealers said.

In response to the weakness of the French franc in the foreign exchange market, French authorities raised short term interest rates, with overnight funds raising Wednesday morning to a six-week high of 15 percent from 14 percent after the seven-day rate had been boosted to 15 percent Tuesday from 14 percent.

Dealers in Paris may have sold as much as 100 million Deutsche marks as the West German currency was fixed at midday at a new high against the franc of 258.25 francs per 100, dealers said. Tuesday's fixing was 257.40 and Wednesday's opening rate was 257.96.

The dollar finished generally easier on balance in London — a trend that continued at the midsession in New York — after U.S. dollar deposit rates showed an easier trend after U.S. markets opened, while fed fund rates were also slightly lower. Eurodollar deposit rates finished about 1/4 point lower on the day, with most of the decline coming in the afternoon session.

Wholesale Volume Off By 6% in W. Germany

Reuters

WIESBADEN, West Germany — West German wholesale turnover volume declined in January by almost 6 percent from the year-ago month, the federal statistics office said Wednesday.

Turnover volume fell 5 percent in December from the year-earlier month. In value terms, turnover rose in January by 2 billion Deutsche marks, or 4 percent.

By Thomas B. Edsall
Washington Post Service

WASHINGTON — General Electric, which had pre-tax earnings of \$2.66 billion in 1981, capitalized so successfully on the bill Congress passed last year letting corporations buy and sell tax breaks that will get a net tax refund of \$90 million to \$100 million from the federal government.

A second highly profitable company that bought up tax breaks last year, Standard Oil of Indiana (Amoco), which had a pre-tax income of \$3.46 billion, was able to reduce its federal liability by \$159 million through tax "leasing," although the oil company still paid several hundred million dollars in federal taxes.

These figures emerged from annual reports for 1981 that are just being released and from interviews with company officials.

GE and Amoco are generally believed to have been among the most active companies buying up tax breaks. They bought the credits and depreciation write-offs from such companies as Chrysler, Pan American, Cleveland Electric, Commonwealth Edison and Phelps Dodge.

Subsidiary Purchases

The benefit was most dramatic in the case of GE, which went from \$426 million in tax payments in 1979 and \$330 million in 1980 to its refund in 1981.

The company was able to achieve a negative tax situation largely through the purchase of tax credits and depreciation write-offs by a subsidiary, General Electric Credit Corp. GECC bought tax breaks from at least nine companies and utilities through

Dole Repeats Pledge to Repeal or Restrict Provisions Allowing 'Leasing Bonanzas'

Washington Post Service

WASHINGTON — The chairman of the Senate Finance Committee reaffirmed Tuesday a commitment to repeal or to restrict the corporate tax leasing provisions of the 1981 tax bill as another profitable company, International Paper, disclosed that it sold tax breaks last year for more than \$100 million.

Sen. Robert J. Dole of Kansas, angered that General Electric was effectively able to wipe out its 1981 tax liability and collect a net refund of between \$90 million and \$100 million, said:

"I am afraid the General Electric windfall is only the tip of the leasing iceberg. Undoubtedly, as annual reports are

made public, many other leasing bonanzas will come bobbing to the surface. In my view, Congress has a responsibility to terminate this form of corporate welfare."

International Paper, in its annual report, said it sold tax benefits on \$548 million in property, plant and equipment in December, 1981.

The company, which had net earnings of \$529 million but got a federal income tax refund of \$43.1 million, sold the tax benefits for what appears to be about \$130 million, although that figure is below what many may have been market prices and it may be that the company will get additional money in the future.

NYSE Prices Lose Ground on Budget Worries

From Agency Dispatches

NEW YORK — Prices on the New York Stock Exchange drifted lower in listless trading Wednesday as investors continued to worry about the outlook for interest rates and the economy.

The Dow Jones industrial average moved in a very narrow range all day and closed off 2.48 points at 793.45. Declines led advances, around 780 to 660, and volume slipped to 48.9 million shares from 50.5 million shares Tuesday.

Michael Metz of Oppenheimer & Co. said investors are holding back from the market until they get some clear signal on whether some attempt will be made to hold down the size of the federal budget deficit.

President Reagan still has not indicated whether he will compromise with Congress on his proposed budget deficits, which could abort economic recovery by pushing interest rates even higher.

Mr. Metz said investors are concerned that the very large deficits projected for the next few years will add to inflationary pressures and keep interest rates high.

On Tuesday, Salomon Brothers economist Henry Kaufman added to the pessimism on Wall Street when he projected a 1983 deficit of \$135 billion, compared with White House estimates of \$96.4 billion.

He also said the budget uncertainty will be "very dangerous" to the economy and warned the administration's deficits could block recovery.

In February's figures showed oil refineries dropping to just below 70 percent, the lowest point since the Fed began to document operating rates in 1948, a symptom of the abundant supplies of gasoline and fuel oil.

Despite a 3.5 percentage point gain, the auto industry's operating rate remained below 50 percent, the Fed said.

The nation's factory operating rate first dipped under the low point of the 1980 recession in November but is still slightly above the 69 percent rate reached during the 1975 recession. In 1973, the operating rate reached a high of 88 percent.

The Fed revised its figures for January to show a decline in factory use of 2.3 percent. It had initially reported a 2.5 percent drop.

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The oil price cuts, both official and unofficial, spell a further cut in the West German inflation, as long as the dollar-mark rate holds generally steady. Furthermore, consumption of oil products continues to show a marked decline, down about 15 percent in January against the year earlier level.

The "hawks" in the Bundesbank

argue that oil price declines have been offset by rises in gas prices, which normally follow oil prices, but only with a distinct time lag, an economist said. Even so, he continued, two local gas authorities have already notified customers of a gas price cut and others are likely to follow, giving the Bundesbank "doves" another argument for lower interest rates.

The "doves" are worried about taking steps that would hurt international confidence in the Deutsche mark and in this context the rise this week in the rate for federal funds in the United States is disturbing, he said.

A cut in special Lombard rate, or even its elimination and the return of "normal" Lombard at the old 9-percent rate, seems highly likely some time in the next few weeks, the bankers said.

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that a company can only eliminate 80 percent of its federal liability by this means.

As a result, he said, the company had to pay 1981 taxes of between \$50 million and \$60 million — he would not provide precise details — but then, by virtue of the same leases, it was able to collect a refund on past years of about \$150 million, for a net gain of \$90 million to \$100 million.

Mr. McCoy noted that "even though we have reduced our 1981 liability and have generated credits," GE's benefit was not the full amount of the tax savings because it had to pay out significant amounts of cash to buy the tax breaks.

Standard Oil of Indiana said directly in its annual report that "income tax expense for 1981 was reduced by \$159 million, reflecting the effect of tax benefits purchased."

The company said it expects to pay \$390 million in federal taxes in 1981, compared with \$433 million in 1980, although it was not clear whether the reduction resulted primarily from buying tax breaks.

The company did note, however, that investment tax credits for 1981 increased sharply from 1980, going from \$106 million to \$134 million, although no breakdown was provided to show how much of the credits resulted from investments for the company and from purchased credits.

The effective tax rate when all state, local, and federal taxes are calculated dropped from 46.7 percent in 1980 to 44.4 percent in 1981 "primarily due to higher investment tax credits associated with tax leasing arrangements," Amoco said in its report.

He told members of the conservative economic research group that, without corrections, the projected deficits of more than \$90 billion in the current fiscal year and in the 1983 fiscal year threatened to crowd out private investment and continue high rates of interest that are causing many serious problems both for the United States and the rest of the world."

He suggested that indirect taxes, such as excise taxes on tobacco and alcohol, could be raised without undermining the principles of supply-side economics, the principal goal of which is to stimulate capital investment through lower taxes.

Mr. de Larosière's analysis carries weight because of the role of the IMF as an economic and financial consultant to member countries, especially those needing international loans to reduce balance-of-payments deficits. The fund makes such loans, but only after governments accept stipulations specified by it that require the countries to take such economic measures as devaluation of currencies, wage freezes and import restrictions.

The United States, while a major contributor to the fund, does not borrow from it.

Mr. de Larosière said that although it was difficult to find statistical evidence of a relationship between interest rates and deficits in the United States, "let's not delude ourselves, deficits do affect interest rates and they do crowd out private investment."

Although Mr. de Larosière singled out other countries as guilty of perpetuating high deficits, he added that they also had higher rates of savings than the United States to finance their deficits.

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OPEC's Failure: Its Inability to Operate as a True Cartel

By Douglas Martin
New York Times Service

NEW YORK — As the Organization of Petroleum Exporting Countries prepares to meet in Vienna on Friday, analysts are suggesting that the once-feared alliance of oil-producing countries has lost its pre-eminent role in setting world oil prices, perhaps irretrievably.

"OPEC may be facing the biggest crisis since it won control of the world oil market," says Daniel Yergin, an energy expert at Harvard University.

Others are even more emphatic. "OPEC is 100 percent dead," William Brown of the Hudson Institute asserts. "There's nothing to save them."

Mr. Brown and similar critics are referring to what OPEC is able to achieve as a would-be cartel, not to the influence of its individual member countries. These producers will continue to pump oil and be well compensated, regardless of the effectiveness of the organization that has bound them since 1960.

Falling Output

In essence, OPEC, which is producing less oil than in any year since 1969, is failing in its mission of setting and defending oil prices. The main reason is a sharp drop in petroleum demand that has caused a persistent worldwide oversupply.

This is driving prices substantially below OPEC's official rates, with many analysts now predicting that prices will continue to fall in inflation-adjusted terms for some years. If the OPEC price breaks, analysts such as Mr. Brown suggest that it could drop to half its current level.

To be sure, there are others who warn against being so quick to count OPEC out. They caution that politi-

cal disruptions in the Middle East could alter the world oil market almost overnight and, with it, OPEC's influence.

But for now, most analysts agree, OPEC confronts sizable difficulties that are dramatized by the following evidence:

- Largely because of heightened efficiency in the use of energy, worldwide oil production has fallen 17.3 percent from 1979, to 40.2 million barrels a day, according to figures prepared by Manufacturers Hanover Trust Co.

- OPEC countries have seen production fall by 31.4 percent during this period, and they now account for less than half of the production of the non-Communist world, down from 64 percent three years ago.

- The 13 countries, many of which are experiencing severe cash-flow problems because of declining oil sales, are using only three-quarters of their capacity, compared with 97 percent in 1979. OPEC members are under pressure to increase sales, even if that means cutting prices.

The consequences may prove to be a transfer of wealth away from the oil-producing countries and the oil companies back to other areas of the world and national economies. The effect of such a shift, economists suggest, might be a continued easing of the inflation rate and a lift to economic growth because of lower costs.

But it could also set off a return to the sort of energy profligacy that made OPEC's ascent possible in the first place, as well as provide a powerful disincentive for investments in additional energy sources, analysts say.

The challenge to OPEC can be defined as its urgent need to limit its output to prop up prices in the face of today's shrunken market. But OPEC has never

been able to agree on overall production levels or how to divide cutbacks among members, much less on how to enforce such a policy.

"OPEC's ability to influence prices has always been tremendously overstated," says Bijan Mossavar-Rahmani, until 1978 an Iranian delegate to OPEC conferences. "Forces very much out of OPEC's control govern oil prices."

In essence, Mr. Mossavar-Rahmani and other analysts argue, market forces and production decisions by one member, Saudi Arabia, have been the major determinants of world oil prices, with OPEC as an organization simply ratifying the results.

Others, however, counter that the very existence of OPEC has exerted upward pressure on prices in periods of tight supply by adding momentum to the psychology of the rising market, and setting a floor price in slack markets.

Additional Pressure

Now, non-OPEC energy supplies are growing at a 4 percent annual rate; directly supplanting OPEC oil, putting new pressure on official prices in the 13 nations.

For countries that have become accustomed to exponential revenue growth, the effect is painful. Bankers Trust Co. estimates that the surplus (the difference between total income and expenditures) of OPEC members will shrink to \$51 billion this year from \$82.4 billion last year. The budgetary pressures are worse than the figures seem, however. Only four of OPEC's members — Saudi Arabia, the United Arab Emirates, Qatar, and Indonesia — are pumping enough oil to pay all their bills.

The organization's economic problems are intensified by political animosities. Two members, Iran and

Iraq, are at war. Iran has charged that Saudi Arabia has flooded the world with oil in a direct effort to steal its sales, a charge Saudi officials privately acknowledge contains a measure of truth.

OPEC's greatest success, in the opinion of Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, and many of his colleagues has been to seize control of their own resources from the international oil companies, which as recently as a decade ago virtually dictated production and pricing decisions to the governments of producing countries.

But after raising prices, OPEC has not been able to take the next logical step — regulating production to insure continuing price increases. The price rises of the 1970s made it possible to avoid the production question since everybody was making money.

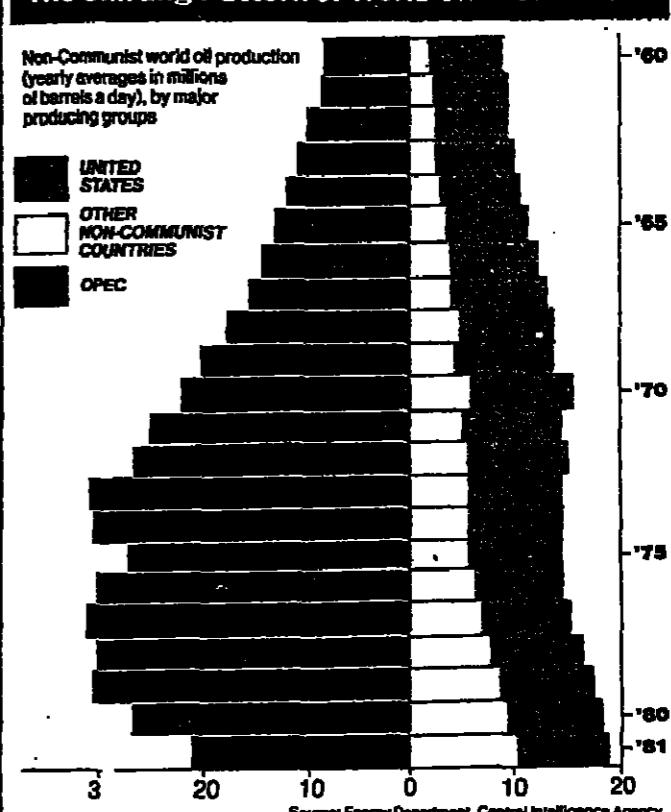
In addition, Saudi Arabia emerged as OPEC's "swing producer," demonstrating a willingness to adjust its enormous output to balance the world market.

Now, more and more analysts are convinced that Saudi Arabia can no longer hold the line by itself. The kingdom's recent move to lower its production ceiling temporarily by a million barrels a day, to 7.5 million, is seen as too little, too late. The current world oversupply is variously estimated at 3 million barrels a day, and Saudi Arabia is thought to be unwilling to attempt to erase it alone.

Thus OPEC is confronted at its coming meeting with its greatest need to coordinate basic policy, rather than simply being seen to do so. The other members of OPEC will press Saudi Arabia to cut production further to support the \$34 base price. The Saudis, in turn, will press others to share the cut, and perhaps also to cut prices.

In a sense, OPEC's survival may hinge on its ability to become the cartel it has never been.

The Shifting Pattern of World Oil Production



Source: Energy Department, Central Intelligence Agency

The New York Times

Commodity Brokers Fight Morgan Bid to Sell Futures

By Kenneth B. Noble
New York Times Service

WASHINGTON — A plan of J.P. Morgan & Co. for the first bank-owned brokerage concern to trade in financial futures has encountered opposition from some commodity brokers who fear that Morgan and other banks may lure away their customers.

Morgan has already set up financial futures operations for the company's own account through its Morgan Futures Corp., a subsidiary formed last May.

The Federal Reserve Board is expected to rule soon on the proposal. If approved, Morgan Futures would act as a futures commission merchant and broker in billion, foreign exchange and U.S. government securities.

The Futures Industry Association, which represents brokerage firms that trade on the 11 U.S. commodity futures exchanges, has objected to Morgan's plan. Brokers complain that banks would have an unfair competitive advantage over the brokerage industry because banks could offer loans to financial futures customers at favorable terms.

"It's not that the industry doesn't believe in free and open competition," said Howard A. Stotler, a former FIA chairman. "But the banks are the primary supporters of futures commission merchants, and we don't feel that the people who support us financially should be coming in as our chief competitors. It has the aspect of being a monopoly." A futures commission merchant accepts orders from customers to buy and sell futures contracts.

Morgan Futures does not hold positions for itself, but it executes orders primarily for Morgan's com-

U.S. Firms See Japan as Project Site

The Associated Press

NEW YORK — U.S. manufacturing companies are increasing their investment in Japan despite the soft economy and trade friction between the two countries, according to a Conference Board report on foreign investment re-

port on Monday.

Japan was the site of 27 new projects in 1981, up from 18 the previous year. That compared with 22 investments in France in 1981, 20 in Britain and 18 in Ireland.

"U.S. companies are obviously not waiting for a resolution of trade conflicts between the United States and Japan to attack the Japanese market," said James Greene, executive director of the Conference Board's international business program. "Japan is clearly being viewed as a promising investment site."

The business-sponsored research group said total worldwide investments by U.S. manufacturers fell to 227 in 1981, down slightly from 252 in 1980. Reported dollar figures on the 1981 investments totalled nearly \$13 billion. The Conference Board includes only projects involving 50 percent or more ownership by U.S. parent compa-

nies.

It said Western Europe continued to be the most popular investment site, with 47 percent of all U.S. manufacturing investments last year, up from 44 percent in 1980. About 19 percent were in Asia, 20 percent in Canada and 7 percent in Latin America.

Among industries, chemical and allied products accounted for 28.6 percent of the investments, non-electric machinery 15.9 percent and electrical-electronic equipment 12.3 percent.

Zimbabwe Moves to Take Control of Minerals Marketing

New York Times Service

SALISBURY — Zimbabwe, which for years has depended on U.S., British and South African companies to market its mineral resources, is on the verge of taking over responsibility for the sales.

Parliament is expected to pass a measure soon that would set up a government marketing board to sell all of the country's 40 minerals except gold. Mineral sales account for more than 50 percent of the export earnings. In 1981, minerals brought in more than \$500 million in foreign currency, of which the country is chronically short.

The international and domestic business communities are fearful about the possible effects of the bill, which has been strongly opposed by the white Republican Front minority.

The legislation is viewed as one of Prime Minister Robert Mugabe's first steps in creating a mixed economy, combining his Socialism with the capitalist system he inherited. With passage of the legislation, the government would participate directly in the mining sector by becoming the sole agent for the country's minerals.

The government would have the power to control the size of the companies' stockpiles and therefore indirectly to control their levels of production.

Zimbabwe's mining industry is dominated by Anglo-American Corp. of South Africa, Rio Tinto-Zinc and Lourou of Britain and Union Carbide of the United

States. They have opposed the legislation vociferously.

The government said the legislation was necessary to halt the practice by local subsidiaries of selling their minerals to their parent companies at less than competitive international prices, thereby depriving export taxes and depriving Zimbabwe of foreign currency.

The Socialist aspect of the legislation is what the minority white members of Parliament have focused on in the debate. Ian Smith, who was Prime Minister under minority rule, attacked the bill, saying he believed the multinational corporations could market the minerals more effectively.

Before black rule 21 months ago, the white Rhodesian government set several precedents concerning the state marketing of commodities. The country's gold production, which amounts to 12 tons annually and makes Zimbabwe the world's seventh-largest producer, is marketed completely by the country's central bank. Agriculture marketing boards buy all of the country's grain, meat and dairy products at fixed prices and sell them.

And from 1965 to 1980, when international sanctions were in force against the country, the Rhodesian government set up a system, known as Unixer, that marketed the country's chrome and lithium.

"Ian Smith had just such a marketing authority, and there were no noises about Unixer," said Secretary of Mines Christopher Ushewokunze, who has been working on the mineral legislation for 14 months. He said that the business community's fears of a quick and disastrous government takeover of the sale of the minerals were unfounded.

"We will proceed carefully, step by step, by mineral, as we learn our way," Mr. Ushewokunze said. "We are aware we have a lot to learn. The growth of our marketing will depend on our selling capability. We don't want to lose our international markets. We will continue to involve our producers where they have competitive markets."

Mr. Ushewokunze said that before drafting Zimbabwe's bill he had studied the state mineral marketing agencies of several other countries, such as Zambia, Peru and Zaire. But business critics say that it is just such examples that do not bode well for Zimbabwe's entry into mineral sales.

Minerals, Roy Lander, who is also president of Anglo-American's Bindura Nickel Mining, said he feared that the government could get into mineral speculation. For instance, he said, if the government needed foreign currency it could insist on selling a certain quantity of minerals without regard to the market situation.

It is uncertain what the long-term effects of the legislation would be. There are still several unknowns, such as the fees that would be charged by the new corporation for its marketing services.

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NYSE Nationwide Trading Closing Prices Mar. 17

Tables include the nationwide prices up to the closing on Wall Street.

(Continued from Page 8)

12 Month Stock	High	Low	Div.	In	S Yld.	P/E	1980	High	Low	Quot.	Close
30 15% Trans.	1.26	.48	.02	43	4.25	25.0	25.0	25.0	24.75	24.75	24.75
3204 12% TWC	1.25	.48	.02	12	1.42	21.5	21.5	21.5	21.25	21.25	21.25
3205 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3206 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3207 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3208 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3209 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3210 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3211 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3212 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3213 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3214 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3215 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3216 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3217 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3218 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3219 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3220 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3221 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3222 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3223 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3224 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3225 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3226 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3227 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3228 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3229 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3230 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3231 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3232 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3233 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3234 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3235 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3236 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3237 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3238 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3239 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3240 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3241 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3242 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3243 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3244 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3245 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3246 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3247 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3248 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3249 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3250 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3251 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
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3253 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3254 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3255 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3256 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3257 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3258 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3259 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3260 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3261 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3262 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3263 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3264 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0	15.0	14.75	14.75	14.75
3265 12% TWC	1.25	.48	.02	12	1.11	15.0	15.0				

Mahres Sweep Giant Slalom

The Associated Press
BAD KLEINKIRCHHEIM, Austria — Steve Mahre edged his twin brother Phil to give the United States a one-two sweep in a World Cup giant slalom ski race here Wednesday.

Finishing seven-tenths of a second ahead of his brother, Steve Mahre — the world giant slalom champion — was timed in two minutes, 34.16 seconds for two runs.

"I have to admit that he's skiing well right now," said Phil, who came third this winter clinched his second straight World Cup title.

The Mahres were followed by Pirin Zurbriggen of Switzerland (2:34.71) and Marc Girardelli of Luxembourg (2:34.99).

The race was held under sunny skies and watched by about 5,000 fans.

"I'm very happy to have justi-

fied my victory in the world championships in this event," said Wednesday's winner. "It proved that I did not win the world title by chance."

He had the lead after the first heat, but Phil stormed back in the second and nearly overtook him.

Phil complained afterward that the first heat had "been set poorly." Austrian trainer Alfred Stenmark, who had registered at least a flat 60 flags on the first course and U.S. Coach Tom Kelly set 55 on the second.

Phil Mahre and Ingemar Stenmark of Sweden lead in cup giant slalom points with 100 each. To add additional points, Mahre needed to win Wednesday and Stenmark had to register at least a fifth.

But Stenmark, rated the best giant slalom skier in the world, was 19th after the first heat and finished 17th overall — 3.37 seconds behind the winner.

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Criticized Masters Tennis Tournament Will Change Format

By Neil Amdur
New York Times Service

NEW YORK — Stung by obvious flaws and continued criticism of its eight-player, round-robin format, the Masters tennis tournament will switch to a 12-player six-elimination event for 1983.

Ray Benton, tournament director for the \$400,000 men's competition, confirmed Tuesday that the Men's International Professional Tennis Council had approved a recommendation from the tournament committee and its sponsor

for the revised format. Begun as a season-ending event in 1970, the masters adopted the two-group, round-robin concept in 1972.

"We were looking for something that was other than a straight eight-man tournament," Benton said. "I feel the masters is the fourth most important title in tennis, the U.S. Open and the French Open. It needs something special. We were looking for a way to have a title and still reward for performances throughout the year, and this format will achieve that."

Benton said the new format would work as follows: The top four finishers in the seasonlong grand prix would receive byes into the quarterfinals.

The remaining eight players would meet on the opening two nights to settle the last four spots in the quarterfinals.

"It's a step in the right direction," said Marshall Happer, the administrator of the nine-member pro council. Tuesday, "It's more akin to tournament tennis than the round-robin and will eliminate the

Canadians Taking Early Aim at America's Cup

By Orval Jackson
United Press International

PALMETTO, Fla. — A Canadian syndicate mounting a serious bid to wrest the America's Cup away from the United States in 1983 has moved its operations to the warm waters of Tampa Bay for intensive training.

The crew's goal is to restore "Canadian confidence and pride." The syndicate — Canada's America's Cup Challenge, Inc. — has tapped retired Canadian Rear Adm. Jeffery V. Brock as vice president and director of operations and already has about 30 young Canadian sailors in training for that country's first challenge of the America's Cup since 1981.

The Canadian 12-meter chal-

lenger still is being designed by Bruce Kirby, designer of the popular Laser class.

But it already has been named: Crusader.

In the meantime, the Canadians are training on Intrepid, winner of the cup in 1967, and Clipper, a strong challenger in 1980.

The all-Canadian staff working under Brock includes deputy director of operations W.A.B. Creasy, training manager Stephen Turner, manager of support facilities Roger Sweeny, personnel manager Harry Roman and administration manager Kevin Singleton.

The syndicate people represent a cross section of Canada." Brock said during a recent presentation.

"We have eight or nine directors

at the moment and we have 10 provinces in Canada," he said. "We hope to get our financial support on a wide basis."

"Most sailing syndicates for the America's Cup fail early on because they become allied with given people and get tangled up with politics."

Brock said the intention of the syndicate is to keep the effort away from politics and give all Canadians an opportunity to participate.

He said he was hesitant to assume his duties with the effort until he was assured of the intent of the syndicate.

"The decision to challenge for the America's Cup was born out of a genuine desire on the part of a group of persons in Canada to demonstrate that Canada has the technology, people and desire to compete successfully in an fine an endeavor," he read from a letter he received from the syndicate.

"This country has, since the war, grown and our political leaders have not provided us with any common objective," the letter continued.

"It was believed that by presenting a successful challenge for the America's Cup in 1983, we could, even though in a small way, help restore Canadian confidence and pride."

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Art Buchwald

The Jupiter Effect

LOS ANGELES — As many people may have been aware at the end of the world was to have taken place Wednesday, March 10.

The prediction was based on the so-called "Jupiter Effect," when all the planets lined up on one side of the sun and were supposed to cause earthquakes and volcano eruptions.

It happened to be in Los Angeles on March 10, which is the best place to be if the world is going to come to an end, because Southern Californians seem to take things like this more in stride than any people I know.

All the stuff about them being laid back does happen to be true.



"It's the day the world is coming to an end."

"You mean the L.A. Dodgers haven't signed Fernando Valenzuela yet?"

"It's worse than that. We can expect a Jupiter Effect and we're all going to be swallowed into the ground."

"That happened to me a couple of months ago during a midnight at my house. I was sucked in right where my Jacuzzi was. But it always sounds much worse than it is. The trick is to take a deep breath and fight your way to the top of the muck."

"Goodbye, Rich. You made my stay on earth worthwhile."

My next call was to Bernstein: "Alain," I said, "I called to say au revoir."

"What do you mean, au revoir?" he said. "We're giving a dinner for Sunday night."

"There is no Sunday night. The world is going to end today."

"But what about the caterer? He's already ordered the avocado dip and potato chips."

"I'm sorry you went to all that trouble, but our fate is in the stars. The planets are against us."

"You want me to tell that to a Los Angeles caterer?"

"Don't tell him anything. When the earthquake comes, he'll disappear with his avocado dip and never be seen."

I then called my next friend, Angie Dickinson:

"Angie," I said, "today's the end of the world. Would you like to come over to the hotel for a final drink?"

"Oh, my God. I'm glad you called. I read about it yesterday and made a 3 o'clock appointment with my hairdresser."

Before I could make the next call, the phone rang.

"My name is Peterson and I'm with the B&H Real Estate Company. As you know the world is going to come to an end today so I'm happy to announce one of my clients in the San Fernando Valley is willing to sacrifice his \$6-million, two-bedroom ranch house for \$5 million."

"Suppose the world comes to an end before I get to look at the house?"

"Then the \$5-million asking price will be negotiable."

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On the morning of March 10, I started making my farewell telephone calls to dear friends. I called up Newcombe first:

"Well, Newcombe, I guess you know what day this is."

"Wednesday?" he said, taking a wild guess.

Enthusiasm Curb Debut of Western Rock in Peking

The Associated Press

PEKING — The first Western rock music bands to play in China were signaled to stop in mid-encore when a few hundred enthusiastic young listeners rushed to the edge of the stage and sang and danced, a member of the concert group said Tuesday.

Theatrical officials tried to bring down the curtain, and the bands took the hint, ended the concert and said "we have to go" to the capacity audience of 1,800, said John Moore of Summit Productions.

The first concert was played Saturday and at the second, on Monday, uniformed security men stood by and nobody got out of their seats, he added.

"It was never out of control at all," Moore said of the enthusiasm after the first concert by the Spyz of Sydney, Australia, and Morning Sun, a California group.

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By Lon Tuck
Washington Post Service

WASHINGTON — The resume of the 86-year-old composer/astrologer Dane Rudhyar is a clutter of incongruity. There is his book "Claude Debussy et son œuvre," which he wrote at 18 while he was a student at the Paris Conservatoire. Then there is his honorary doctorate from the "California Institute of Transpersonal Psychology." And there is his music.

Rudhyar is a tall, slightly frail man with quick darting eyes, whose Parisian accent remains from the turn of the century. He talks like a walking encyclopedia of that period. He was there on that night in 1913 when the premiere of Stravinsky's "Le Sacre du Printemps," and the uproar that accompanied it, made musical history. For the triumphant repeat the next year he was also there, sitting behind Debussy.

He also talks with authority on

The Composer/Astrologer

Dane Rudhyar Charts Course Between Music and the Spheres

unrelated and very current subject, astrology.

Rudhyar, who now lives in California, was here to be honored in the Kennedy Center's American Portraits concert series, at which works of his were played. It is a distinction that he shares this season with such octogenarian colleagues as Aaron Copland and Roger Sessions.

But if there is no one in music who does not know the works of Copland, and if there are few who do not know at least the name of Sessions, you can be pardoned if you do not know the name of Rudhyar. Very few musicians do.

One reason for this obscurity

is that he composed little between his 30s and his late 60s, the years that produced virtually all the major works of Copland, for instance. During those years the hard facts of making a good living led Rudhyar to seek success — and, in fact, celebrity — in the more lucrative medium of astrology. Thirty-five books of his writings have been printed, mostly in several languages, and 20 of them deal with the "psychological reformulation of astrology."

"Humanistic"

Rudhyar is described by Rita Francomano, president of the Maryland National Council on Geocosmic Research, as "probably the most highly respected astrologer alive in America today."

"He is highly regarded by all

branches of astrology. He is a humanistic astrologer, which is hard for me to paraphrase my father died."

Asked if the first night of "Sacre" was as notable as legend decrees, Rudhyar replied with a firm, "It certainly was. Paris was primed for such an event. Stravinsky had already made great impressions with 'Firebird' and 'Petrushka' and the Diaghilev company was the acme of European culture. And partly it was just the time. Things were extremely refined. It seemed as if everybody in Paris had a bathroom in gold and black during that period. I remember running into one of the Pavlova critics on a bus some days before the performance. He said he had heard the word got around."

"But when the night came, I think it was the dance, not the music, that created the riot. You

have to remember that these people were accustomed to Russian

ballet of the most sumptuous

sort. And there on the stage were these people in very bare costumes. Nijinsky had become famous with primitive things. So

the first trouble came when people began to laugh at the dancers. Then some people began to shout about the shrillness of the music. Then the students in the top tier began to shout back. Other people became indignant and got up and left. But Pierre Monteux [the conductor] pressed ahead. For a while things became calmer, but then came the end. The figures were virtually in the dark. The girl was dancing in one spot, in wild motion. Gradually the men gathered around her, brought her up on their arms, and killed her. Then the hoisting mixed with the applause for a long time.

"That was May 29, 1913. One

you mean that he is a composer?"

Rudhyar was born in Paris in 1895 as Daniel Chevrière, and was much swept up in the cultural winds of the time. The first night of "Sacre" was just one of several epic premieres he recalls.

"There was also Ravel's 'Daphnis,' but I missed the introduction of Debussy's 'The Martyrdom of St. Sebastian' because my father died."

Asked if he had heard that Rudhyar was born in Paris with a

secretary, Rudhyar replied with a firm, "It certainly was. Paris was primed for such an event. Stravinsky had already made great impressions with 'Firebird' and 'Petrushka' and the Diaghilev company was the acme of European culture. And partly it was just the time. Things were extremely refined. It seemed as if everybody in Paris had a bath-

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Sunday the next spring, Monteux conducted again, in a concert performance, and it was at the Folies-Bergère, of all places. It was really very funny. I was sitting very close to Debussy and I will never forget the puzzled look on his face at the end, as if to say "What is this?" It was a great triumph for Stravinsky. Nothing that Debussy wrote had ever had such a reception.

Rudhyar left Paris with the war and came to New York. And for the next 15 years he concentrated on composing. He moved to California in 1919 and became a citizen in 1926 under his French name, Rudhyar. He was leading contributor to "Henry Cowell's New Music Quarterly" (which, said Rudhyar, was mostly financed by Charles Ives) and it was through Cowell that Rudhyar got to know Ives. Ives' musical inclination was little known in those days, when he pursued his normal life as an insurance tycoon.

Recollections of Ives

"I knew that he had financed much of the new music and one day I went to his house on the Upper East Side with Cowell. It was during the Depression and he wanted to keep his copyist in work so he paid for the printing of my 'Sinfonietta.' I remember being warned that I had to be very restrained around Mr. Ives because he had a bad heart. Well, the first time I went there, he said follow me up to the fifth floor and we raced up the steps and then he started playing the piano with much gusto."

"He was a very charming man, very kind in his likes, very emotional. From what I saw of him, the idea of Charles Ives of Wall Street seemed totally incongruous. He was a typical wild artist."

Soon afterward, though, Rudhyar had to give up composing. "I had no money and I had become married. I couldn't get any grants to compose. I was interested in Jung and had studied astrology. And I decided that psychology and astrology were complementary disciplines. Astrology has all the basic patterns but my detail. And psychology has all the detail and no basic patterns. I started writing regularly for Astrology Today and by 1936 I had written my book, 'Astrology of Personality.' It is still selling well, and is in several translations. Before too long I had written 100,000 articles and it went on for 40 years."

PEOPLE:
Elgin Marbles Return
Is Sought by Greece

Greek Culture Minister Melina Mercouri said the Elgin Marbles removed from the Acropolis almost two centuries ago and now in the British Museum should be returned to Greece. "This is a very serious matter. They are an integral part of the Acropolis which is the symbol of Greece and definitely should be returned," she told the Foreign Press Association of Greece.

"I would be happy if the government decided to launch an international campaign to bring them back," she added. The marbles, named after Lord Elgin, who bought them in 1803 when he was British ambassador to the Ottoman sultan, include some of the finest sculptures of classical antiquity. At a House of Lords debate last month it was argued the sculptures are safer in the British Museum than exposed to the polluted atmosphere in Athens. "Lord Elgin was hardly thinking of their safety when he exploited the corrupt Ottoman system to acquire them," Mercouri said.

Princess Grace of Monaco says she has no plans to return to a career in the movies, but she vowed an audience at Chichester, England, with a one-night performance of poetry and prose readings. The princess made one of her rare returns to show business to help celebrate the Chichester Festival Theatre's 21st anniversary.

Sammy Davis Jr. says his current European tour is his last. But Davis, appearing in Hamburg, added, "This was not a last farewell. I'll certainly come over again for single appearances, but I will not impose a 60-year-old Sammy Davis Jr. in the stress of a tour, on my public."

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